

WORLD NEWS

EUROPE

KOSOVO CRISIS NATO MAPS BOLD PLAN TO DEAL WITH FUTURE CONFLICTS ■ STRATEGY LAUNCHED TO REBUILD REGION ■ TEMPORARY SECURITY GUARANTEES OFFERED TO FRONTLINE STATES

Nato's ambitious strategy for peace

By David Buchanan in Washington

Nato yesterday mapped out bold ambitions for the 21st century, as if the military alliance were totally at peace and not fighting in Yugoslavia for its credibility.

Its new strategic concept document is far more ambitious than the 1991 doctrine it replaces. It speaks of preserving peace and reinforcing security and stability "throughout the Euro-Atlantic region", made up of the 19 alliance members and the 23 countries with whom it has partnership arrangements.

Inevitably, the outcome of the Kosovo conflict will show whether the new strategic concept's call for an "overall capability to manage crises successfully" amounts to anything. It will also determine whether NATO's "open door" policy to enlargement, stressed in yesterday's communiqué, would mean anything if defeat in Kosovo reduced new members' interest in joining.

There could also be unpredictable effects on the enthusiasm of NATO's European members for carving out more of a role for themselves within the alliance. With this important caveat, the summit took a number of important decisions.

First, NATO "stands ready, case by case and by consensus... to contribute to effective conflict prevention and to engage actively in crisis management, including crisis response operations". In other words, NATO is theoretically ready to embark on further Kosovo, but the language makes clear that Kosovo will not be taken as an automatic precedent for similar operations, and that even if it were interpreted as this by a majority of members, any one ally could block action.

The nearest NATO comes to defining how far outside its territory it might act is "the Euro-Atlantic region". While this would not make it a global policeman, it still gives it wide scope. Russia is a member of NATO's Euro Atlantic Partnership Council - though it refused to come to the Washington summit - and its territory extends to China and the Far East. But NATO involvement in crises even in the Caucasus, let alone central Asia, would never resemble its current campaign in the Balkans.

The geographical vagueness about NATO's sphere of interest led Jacques Chirac, the French president, to redouble his efforts to ensure that NATO get Security Council authorisation for its operations outside alliance territory.

Mr Chirac claimed he won a true victory for French diplomacy in getting references in the communiqué

and the strategic concept committing NATO to the UN Charter and to the Security Council. But a UK official called this "a blatant and characteristic fudge between the US and France", which he claimed "could hardly be read as a rock-solid commitment to consulting the Security Council".

Second, the European Union members now have the green light from NATO to develop their European Security and Defence Identity (ESDI) within the alliance, provided the interests of non-EU European members of NATO are safeguarded.

The EU is to set out its military ambitions at its summit in June and NATO said it "acknowledges the resolve of the European Union to... take decisions and approve military action where the alliance as a whole is not engaged".

But Turkey made a big fuss to ensure that its particular worries that the increasing EU role in defence might shut it out of European military co-operation were taken seriously.

Chancellor Gerhard Schröder of Germany described as "totally unjustified" Turkey's fears that it and other non-EU allies of NATO would be sidelined by the EU.

Nonetheless, NATO ended up saying it "attached the utmost importance... to the

fullest possible involvement of non-EU European allies in EU-led crisis operations", and finally the Turks removed their block on the summit communiqué and strategic concept.

"The Turks realised that if they block EU states inside NATO, then those states might go somewhere else to realise their ambitions where Turkey has no influence," said a NATO official.

Finally, the summit finessed the issue of further enlargement by giving a favourable mention to all nine candidates - Romania, Slovenia, Estonia, Latvia, Lithuania, Bulgaria, Slovakia, Albania and Macedonia - and approving a membership action plan to lay out the road they must take to NATO's door.

All but the last country took this treatment in good part - but Macedonia made clear that it is not content with temporary guarantees for the duration of the Kosovo crisis, and that if it is to host more NATO troops, it wants some permanent association with NATO, now.

This last stance reflects moves within the Macedonian government to resolve some of the tensions brought on by the huge influx of Kosovo refugees. There had been arguments within the three-party governing coalition over how far to align the country with the west against Serbia. That issue appears to have been resolved in favour of the pro-western, anti-Serb elements.

Additional reporting by Robert Wright in Skopje.



A US member of the Nato-led force in Bosnia yesterday

Alliance promises to protect Balkan region

By David Buchanan in Washington

Nato yesterday pledged to protect the frontline states around Kosovo against any Yugoslav aggression, and launched a wider strategy to rebuild the Balkans.

"We must make the Kosovo conflict into a turning point for south-east Europe," said Jamie Shea, the NATO spokesman. "This area has to stop being the bleeding wound of Europe, the source of instability."

Looking beyond the war, NATO said it planned to upgrade its security relations with Balkan countries, principally through its partnership for peace programmes, while European Union members of NATO said the EU would similarly help Balkan countries with aid and trade preferences.

Gerhard Schröder, German chancellor, said: "Europeans know the main burden will be on us. It will be expensive, but war is even more expensive." Over the past four years, the EU had already earmarked \$1bn (\$1.07bn) for the Balkans.

But NATO appears willing to offer only temporary security guarantees to the frontline states for the duration of the Kosovo conflict, despite demands by Macedonia at the summit for a fast-track association with the Atlantic alliance.

According to a NATO official, Macedonia is suggesting it might not host any more NATO troops or let its territory be used as a launching pad for any Kosovo invasion, unless NATO makes it an associate member. Likewise, the EU is resisting Albania's request for early membership of the Union, though it is ready to accelerate negotiations on an association agreement with Tirana.

US President Bill Clinton suggested south-east Europe needed regional co-operation as well as outside aid. The US and Europe "should do more to draw these countries closer to each other, and relate them to all the institutions of Europe, the US and Canada". He said the overall need was to "create an alternative, positive future" for the people of the Balkans in order to offset the ethnic hatred poisoning them apart.

The Washington summit stressed the need for all international organisations - chiefly NATO, the EU and the Organisation for Security and Co-operation in Europe (OSCE) - to play their part in reconstructing democracy and property in the Balkans. UK officials said such co-ordination was in line with a proposal that Britain had already sent its

EU partners. This suggested that the EU should upgrade existing trade accords and should tailor association agreements and eventual membership to individual countries' needs and abilities.

NATO should focus on extending its partnership for peace programmes, stressing to those wanting alliance membership that their "contribution to regional security" would count in assessing their candidacies.

For its part, the OSCE should focus on democracy and human rights improvements. These issues will also be discussed in the Balkan Stability Pact conference called by Germany next month. This German idea appears to be modelled partly on an earlier EU stability pact proposal that persuaded, for instance, Hungary to settle its differences over Hungarian minorities in neighbouring Slovakia and Romania, before joining the EU.

Slovenia, a former part of the old Yugoslavia and now a leading candidate for NATO membership, backed the extension of NATO membership into south-east Europe. Jozef Drnovsek, prime minister, said over the weekend: "It is now very clear that NATO needs additional members in the region."

Blair the Hawk ruffles feathers in Nato's nest

By George Parker in Washington

Tony Blair, British prime minister, flew back from Washington last night after a high profile five-day US visit which saw him established as NATO's most hawkish leader but which ruffled the feathers of some other EU leaders.

Such was Mr Blair's visibility - he appeared on network shows such as CNN's Larry King Live and NBC's Today programme - that the White House was forced to deny suggestions that Bill Clinton felt he was being upstaged.

Instead, Washington expressed some relief that Mr Blair had helped to make the case for intervention in Kosovo, and assure the American public the US was not alone in the war against Yugoslavia.

Yesterday Britain made clear it was prepared to send extra forces to the region, which are expected to include around 2,000 more troops to bring the UK contingent to more than 8,000. An additional Royal Naval frigate will be despatched and it is thought likely an additional squadron of eight RAF Harriers will also be made available.

After Mr Blair's visit to Capitol Hill last Thursday, Republican Senator Jesse

Helms was moved to call him "the most eloquent leader in the western world".

The UK government's aggressive and often outspoken stance has occasionally rankled with more dovish EU leaders, and at times it seemed Britain was leaving itself isolated.

Mr Blair set alarm bells ringing when it said NATO's objective was to get President Slobodan Milosevic to "step down" - comments which were later interpreted by UK officials as meaning he should "back down".

The prime minister's talk of a Marshall Plan to rebuild the Balkans - with its implication of a vast injection of international aid - even worried colleagues at the UK Foreign Office. "We have never used that phrase," an FO spokesman said.

Throughout the visit Mr Blair seemed to revel in a hardline stance reminiscent of Baroness Thatcher's appearances at international summits. British government enthusiasm for bombing a Serb TV station was not universally shared. Lamberto Dini, Italian foreign minister, called it a "terrible event".

The UK also lobbied hard for a blockade against Yugoslavia, a policy which caused President Jacques Chirac of France to ponder its legality.

● A group of 161 Kosovo Albanian refugees, the first to be taken in by Britain, landed at Leeds-Bradford Airport yesterday looking bewildered and tired. Reuters reports.

The refugees, including 70 children, were scheduled for medical check-ups and then taken to refugee centres in and around Leeds.

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KOSOVO CRISIS OFFICIALS SAY AIR CAMPAIGN WILL INTENSIFY ■ MONITORS FEAR MILOSEVIC WILL EXPEL ANOTHER FLOOD OF REFUGEES

Consensus on ground troops still elusive

By Stephen Fidler and David Buchan in Washington

Nato's 50th anniversary summit closed yesterday with little sign that the alliance's political leaders were willing to advance plans for a ground invasion of Yugoslavia.

Javier Solana, Nato secretary-general, gave orders last week for an updating of the military options for a ground invasion, but officials of Nato governments emphasised this did not mean planning had started. Britain, France and the US also indicated they would build up troop strengths in

Macedonia and Albania. But officials insisted the central message from the summit was that the air campaign would intensify.

The idea that ground troops could go into Kosovo in a so-called "semi-permissive environment" - without the invitation of Slobodan Milosevic, Yugoslav president - was advanced before the summit, particularly by Britain.

A British official said at the weekend that the UK had at least got the US to think about sending in troops against possible Serb resistance. The achievement had been to encourage

Washington to accept that thinking about and planning a ground invasion did not imply the air campaign had been a failure.

Despite this, the proposal encountered opposition from within the US administration. A senior official said the Pentagon did not accept the existence of a "third way" between a permissive and non-permissive environment. Some senior figures in the administration of President Bill Clinton, including Sandy Berger, his national security adviser, are also said to be against the idea.

Mr Clinton appeared to accept on Thursday the pos-

sibility that an international security force could go in to Kosovo without Mr Milosevic's approval. However, the possibility of US involvement in such a force, if that was the case, was explicitly ruled out by Mr Berger.

He said: "I can only speak for American policy, and I don't believe that Nato has spoken formally on this. But in any case, we have indicated that we would participate in a force in a permissive environment. A permissive environment would be one in which the government in Belgrade either would accept its presence or acquiesce to its pres-

ence. And that is pretty straightforward."

The German government has also expressed its strong dislike of the prospect of a ground invasion. Gerhard Schröder, German chancellor, described the discussions over ground troops as a "pseudo-debate on what you would do if your current tactics don't succeed. There are a lot of disadvantages to this debate. The more you discuss it, the more you throw doubt on the air campaign."

German views are influenced by their reticence to commit ground troops for the first time since 1945. The difficulties the German army

experienced in the Balkans during the second world war have also played a part in swaying opinions.

French officials said they saw the practical benefits of sending in troops in a semi-permissive environment. But their emphasis was on securing a United Nations mandate for doing that - and the key to that was the support of Russia. Only a withdrawal of Russian support for the Yugoslav president would make him recognise his isolation, and therefore diplomatic efforts should be intensified to secure Russian backing for Nato's conditions to end the campaign.

Fresh wave of refugee expulsions feared

By Kevin Done in Kukes, north-east Albania

Concern is growing among international relief agencies that Slobodan Milosevic, Yugoslav president, will soon expel a fresh wave of up to 100,000 refugees.

But monitors peering through binoculars across the 100 yards of no-man's land at the Morina border crossing near Kukes in north-east Albania found few clues at the weekend to Mr Milosevic's next move.

There was an eerie calm at the crossing, the main entry point from Kosovo. Only about 100 refugees crossed on Saturday and less than 20 by late afternoon yesterday.

The refugee flow has fluctuated greatly from the 20,000 to 40,000 a day that were arriving at Morina in the first two weeks of the crisis. On some days recently, fewer than 200 escaped from Kosovo at the crossing.

But General Wesley Clark, Nato supreme commander in Europe, who was visiting Kukes yesterday, said the international community had to prepare for "the next wave of refugees" - a num-

ber that could be 50,000-100,000 people, according to the United Nations High Commissioner for Refugees.

Embarrassed by the failure to prepare for the huge initial wave of refugees that began to arrive in Albania, Macedonia and Montenegro at the end of March, the international relief agencies and Nato have begun to co-operate much more closely. Nato has begun to build a secure logistics base close to Kukes for the UNHCR and the aid agencies, and Albanian authorities are trying to prepare for the next surge by intensifying their efforts to move as many refugees as they can down from the mountains to towns on the coast and in the south of the country.

Aid officials fear renewed Serbian shelling from across the border targeted at nearby camps of the Kosovo Liberation Army, which is using bases in northern Albania from which to operate across the border into Kosovo.

Gen Clark said: "We are concerned about security. Part of the plan is to continue to move the refugees

from Kukes down south. That is better for climatic reasons and security and it opens up more space."

However, some refugees are reluctant to leave for the wearying journey down the one crumbling road across the Albanian mountains, preferring to stay close to Kosovo for a possible return. "We are near to the border here and we have our tractors and belongings with us. When there is a solution, it is closer for us to get back to our homes in Prizren," said Daut Bytyci, a 37-year-old refugee who is in Kukes with 17 members of his family.

The refugees are also angered by the treatment they are receiving from some Albanian police and the sometimes chaotic food distribution. Most of the estimated 100,000 refugees in and around Kukes are living outside two large Italian-built tented camps, with families or still in makeshift homes on their tractors and trailers. "We did not come here to be badly treated, we had that from the Serb police. What we need is identification papers, so we can go to some other country. I



Ethnic Albanians scramble for food on a street corner yesterday in Kukes in northern Albania. Reuters

would even go anywhere in Africa rather than stay here," said Jonuz Hajdari, a 56-year-old refugee.

Jacques Franquin, spokesman for the UNHCR in Kukes, said there was no alternative to trying to move the refugees on. "We are increasing our information campaign to persuade people to move on, both to leave room for new arrivals and because of the security situation."

"Tension along the border is high. We had one shell land 5km away from Kukes. It is too dangerous. We can-

not afford to keep them here."

The UNHCR estimates that at one time as many as 130,000 refugees have been in the Kukes area, with a total of 350,000 crossing directly into northern Albania since late March. "Mr Milosevic was probably hoping to overwhelm the international community using this silent bomb of the refugees, creating recriminations and divisions in the nightmare as we scrambled to cope," said Staffan de Mistura, the special adviser to Sadako Ogata, the UN High Commissioner, who has been sent to Albania to try to bring some order to the relief effort.

"Mr Milosevic's use of this refugee valve is a constant organisational nightmare. You prepare 10,000 tents and no one shows up. And then 50,000 arrive. This is all part of a well-planned approach, it has happened too often. It is too co-ordinated. We must be able to face the next inflow," said Mr de Mistura.

"If we can gear up now for this strategy and not deal with it as an accidental event, the surprise will not have such an effect."

NEWS DIGEST

BID TO STAVE OFF DEBT DEFAULT

Russia hopes talks will clinch IMF agreement

Russian finance officials will hold critical talks in Washington this week to try to clinch an agreement with the International Monetary Fund and stave off a mass default on the country's external debt.

An IMF mission, which left Moscow on Saturday, said some significant issues remained outstanding between the two sides. But the Russian delegation, headed by Yuri Maslyukov, the first deputy prime minister, and Mikhail Zadornov, the finance minister, is hopeful of concluding a deal this week, which would lead to the release of fresh loans towards the end of May. Russian finance officials have requested up to \$8bn from the IMF - although the fund says the scale of future loans depends on the strength of the government's financial programme.

Last month, Michel Camdessus, the IMF's managing director, told Russian officials in Moscow that the Fund was willing to provide additional financial assistance in principle. John Thornhill, Moscow

BANK PRIVATISATION

Slovak central bank protests

The Slovak central bank has called an extraordinary shareholders meeting of Ceskoslovenska Obchodni Banka (CSOB) in protest at the Czech authorities' refusal to let it take part in the jointly-owned bank's privatisation.

Binding offers for the Czech state's 65 per cent stake in the country's fourth-biggest bank are due today but the Slovak central bank, which owns 24 per cent, has been excluded because of the Slovak state's disputed \$15.6bn (\$375m) debt to CSOB, which operates in both countries.

The Slovak central bank is afraid that if it has to sell its stake afterwards to the winning bidder, it will realise a lower price and be in a much worse bargaining position in what it regards as the separate issue of the disputed debt, which is currently under arbitration in Washington.

A CSOB supervisory board meeting last week failed even to discuss a Slovak central bank proposal to give it permission to sell its unquoted shares to any of five potential bidders without requiring the approval of the Czech majority shareholders. The central bank then called the emergency general meeting, which is likely to take place at the end of next month. Robert Anderson, Prague

RELIGIOUS TENSIONS

Talks on Nazareth dispute

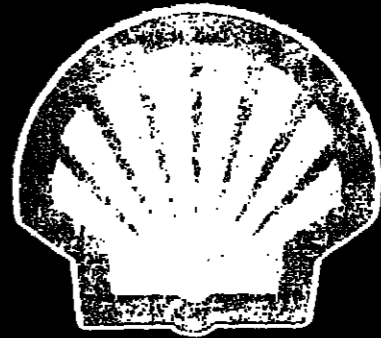
Talks take place today at the Vatican between church officials, Pope John Paul and Ariel Sharon, Israel's foreign minister, in an effort to settle a Moslem-Christian dispute in the Israeli Arab town of Nazareth, which is threatening to destroy preparations for millennium celebrations.

In recent months, tensions between Christians and Moslems have mounted along with a dispute over a plot of land adjacent to the Church of the Annunciation. The city's Moslem residents, who have created a makeshift mosque on the site, want to build a permanent house of worship. Christians want to build a plaza on the site to accommodate some 2m millennial pilgrims expected next year. The dispute climaxed at Easter, when Christians and Moslems clashed in the streets. Avi Machlis, Jerusalem

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INTERNATIONAL

G7 differs on private sector's role

By Robert Chote, Economics Editor, in Washington

Involving the private sector in the resolution of financial crises is a shared objective among the Group of Seven leading industrial nations. But, as today's meeting of finance ministers and central bankers is likely to demonstrate, they cannot agree how best to achieve it.

The difference is one of broad approach, as speeches by the US and UK finance ministers made clear last week. Gordon Brown, UK Chancellor of the Exchequer

(finance minister), wants to lay down explicit rules for private sector involvement in advance. But Robert Rubin, US Treasury Secretary, favours a more "case-by-case" approach.

Mr Brown's preference for rules over discretion mirrors his attitude to other aspects of economic policy. At home he has laid down clear rules for fiscal and monetary policy. And in the international arena, he has pioneered the development of global standards and codes of conduct. "I will propose the international community agrees to

draw up explicit rules of the game set out in advance for involving private and public sectors in crisis resolution," Mr Brown said last week.

Ministers from other European countries agree taxpayers' money should not be used to bail out imprudent private sector investors. But Mr Brown wants to state explicitly that the International Monetary Fund's crisis response programmes must be fully financed. "Before agreeing to the use of its resources in a crisis, the Fund would wish to be certain of appropriate private sector contribution.

through rollovers and extension of new credit."

The chancellor added that there were a number of ways in which the "rules of the game" could be established. The IMF might require a country seeking help to get firm commitments from the private sector or demand it impose capital controls. Most radically, the Fund could be given legal authority to protect a country from creditors, thereby effecting a payment standstill.

The US Treasury thinks this desire for explicit rules

is naive, given the need simultaneously to "bail in" the private sector without choking off capital. "Striking the right balance between these considerations will always be difficult and must proceed on a case-by-case basis," Mr Rubin said.

Rejecting Mr Brown's call for IMF help to be conditional on private sector rollovers, he argued: "When a country is implementing a strong programme of policy reform, the door to official finance should be kept open even if co-operative efforts to clear outstanding arrears



Rubin: case-by-case approach

with private creditors have yet to be completed."

However, there remains some accord. Officials think G7 governments could agree to add clauses to their bond contracts to restrain dissident bondholders, an example for emerging markets.

IMF's new 'contagion' credit line: would any country really use it?

Robert Chote asks whether this is a club that any of those invited would wish to join

The International Monetary Fund has spent the last six months devising a precautionary credit line facility to protect countries with sound economic policies from the backwash of financial crises elsewhere. The big question now is whether any country will have enough to use it.

Originally proposed by President Bill Clinton last year, the scheme was finally agreed by the IMF board last week. It will operate alongside the IMF's "supplemental reserve facility", launched in 1997 to provide big loans quickly to countries facing a catastrophic loss of market confidence.

When a crisis strikes in one country, investors may panic indiscriminately and withdraw their funds from others in a "contagion" process. The Fund hopes that investors will keep faith with a country that has secured a credit line, because the offer of financial support implies a "seal of approval" for its policies.

But will investors really be reassured? The facility is not like a bank overdraft: there will be no predetermined sum the country can gain access to automatically, at a time of its own choosing.

Instead the IMF will decide if and how much money the country can withdraw. This will depend on the state of country's policies, the nature of the potential crisis and the health of the IMF's finances. With \$76bn in uncommitted resources and \$46bn available from borrowing accounts, the board still fears Fund liquidity might be under strain if contagion was severe and several members tried to gain access to credit lines simultaneously.

This two-stage process is there to avoid moral hazard, in which a country with a credit line has less incentive to maintain sound policies while the Fund dare not withdraw it. But it could end up making a crisis more likely. By applying for a credit line, a country might unnerve investors by signalling it fears a speculative attack, without having guaranteed financial support.

Optimists point to Argentina, which has precautionary credit lines with both the private and official sectors. This appears to have reinforced investor confidence in the wake of the Brazilian crisis.

The Fund hopes danger of a perverse market reaction will also be allayed by tough policy conditions. Policy will be assessed under four criteria, with countries required to satisfy a "critical mass" of conditions under each.

Among the criteria, the country must be pursuing policies so sound they would not normally be expected to require Fund finance. It must also meet, or be making good progress towards, international codes of conduct on statistical, monetary, financial and fiscal policies. The country must also submit a good economic and financial policy programme, which it must be prepared to adjust if necessary. So, for example, a country might be made to change its exchange rate regime if it faced loss of competitiveness.

Finally, an applicant must have good relations with private creditors. This could be assessed in several ways, including absence of arrears, negotiation of private sector credit lines, sensible bond contracts and good management of debt and reserves. "We will be encouraging people to buy their own insurance," said one official.

This link was controversial. Germany and Canada,



among others, would have made negotiation of private sector credit lines compulsory for any country seeking a credit line from the Fund. But having lost this argument to the US, they insisted instead on illustrative limits on the money available.

A country will normally have access to between 300 per cent and 500 per cent of its recently increased "quota" or shareholding in the Fund. This is as much as Brazil and the Asian crisis countries secured in their rescue packages over the past two years. It implies access of up to \$17.5bn for Mexico, \$5.8bn for Chile and \$14bn for Argentina, to take three potential applicants.

To draw on the credit line, a country must demonstrate it is a victim of contagion: "circumstances largely beyond the control of the member, but stemming primarily from adverse developments in capital markets, and consequent upon developments in other countries".

Finance ministers and central bankers from the Group of Seven will hail the facility as a great step forward at their meeting today. But some officials still question whether the idea passes the "Groucho Marx" test: is this a club that anyone invited to join would wish to become a member of?

"That is the key question," one senior G7 official admits. "It depends on the signals from the private sector. Will it be seen as a positive endorsement or not?"

Investment flow into emerging markets to fall

By Robert Chote

Foreign direct investment in emerging market countries is likely to drop in 1999, having increased steadily in recent years despite a succession of financial crises, according to an international umbrella group for private sector financial institutions.

The Washington-based Institute for International Finance predicts that direct investment into emerging markets will drop from \$120.4bn in 1998 to \$103.3bn

this year. As recently as 1995 foreign direct investment inflows were barely \$90bn.

China and Brazil account for most of the fall.

Last year China received a third of foreign direct investment in emerging market economies at \$42bn, but a drop in regional investment is likely to see this fall to between \$30bn and \$35bn this year. Foreign direct investment in Brazil is expected to halve this year to \$15bn, despite continued flows of privatisation receipts.

There is better news elsewhere, however, with foreign direct investment forecast to rise tenfold this year to \$8bn in Korea, reflecting a more liberal foreign investment regime and sales of corporate assets.

But as foreign direct investment in most emerging markets declines, so portfolio equity investments are set to rebound from \$2.4bn in 1998 to \$21.5bn this year.

"Some of this recovery represents asset values having been sharply depressed

by the crises, which has created strong investment opportunities," said John Bond, chairman of the institute's directors and also of HSBC Holdings.

"Fundamentally, the sustained recovery of portfolio equity flows will depend on the ability of the emerging market economies to perform well."

Lending by non-bank creditors is projected to drop to \$28bn this year from \$50bn in 1998, as difficult conditions in the bond market limit issuance.

The outlook is clouded by a number of factors, including the Paris Club's insistence that Pakistan reschedule its international bonds.

With sizeable Romanian bonds likely to reach their due dates before International Monetary Fund lending resumes, and rescheduling possible in Russia even if an IMF programme is in place, the institute sees "a significant chance that the first conspicuous default on international bonds could occur this year". If so, there could be a big jump in the

risk premium on many emerging market bonds.

With the withdrawal of money by commercial banks expected to slow from \$26bn last year to \$11.8bn this year, the overall flow of private capital into emerging markets is expected to be roughly stable this year at \$140.5bn, well down from the peak of \$277.7bn recorded in 1998.

The institute expects private flows to strengthen into 2000, as long as the industrial countries remain strong.

TELEFÓNICA, S.A.

Share capital increase on account of distributable reserves

In compliance with Article 158 of the Stock Companies Act, it is made public that the Board of Directors of TELEFÓNICA, S.A. (hereinafter, "TELEFÓNICA" or the "Company") in its meeting dated February 24 and 25, 1999 under the authorisation granted in its favour by the Extraordinary General Shareholders' Meeting of the Company held on June 24, 1998, agreed to execute the second resolution, paragraph D, adopted by the said Meeting, increasing the Company's share capital by the amount of Euros 62,828,319 (Ptas 10,453,752,685) through the issue of 20,907,509 new ordinary shares, which will be freely allocated to the Company's shareholders in the proportion of one (1) new share for every fifty (50) currently existing shares of the Company, with the following characteristics:

- 1. Face value of the new shares:** The face value of each new share will be Euros 3.005060.
- 2. Form:** The new shares will be represented by book entries and will be ruled by the regulations of the Securities Market, being the Spanish Settlement and Clearance Service (hereinafter the "SCLV") the entity in charge of the accounting records.
- 3. Issue price and Expenses:** The issue price is par value, that is to say, Euros 3.005060 per share. The issue will be completely paid-up out of distributable reserves. The allocation of the new shares is free of expenses and commissions for the shareholders described above. Notwithstanding, the participating entities may apply, in accordance with the current legislation in force, the commissions and expenses for the trading of the free allocation rights.
- 4. Balance sheet on which the operation will be based:** In compliance with that provided for in article 157.2 of the Stock Companies Act, this operation will be based on the Balance sheet approved by the Ordinary General Shareholders' Meeting held on March 17, 1998, and referred to December 31, 1997, date which is within the six months prior to the capital increase resolution, since the above-mentioned resolution was adopted by the Extraordinary General Shareholders Meeting held on June 24, 1998. The said Balance sheet was duly verified by the Company's Accounts Auditor "Arthur Andersen y Cia. S. Com." on February 25, 1998.
- 5. Free allocation rights:** TELEFÓNICA's shareholders who appear as such according to the countable registries of the SCLV or its member entities ("entidades adheridas") at 24:00 on the day of publication at the Official Companies Registry Gazette ("Boletín Oficial del Registro Mercantil" or "BORME") of this announcement (April 19, 1999), will enjoy the right of free allocation of the new shares in the proportion of one (1) new share for every fifty (50) held. The Dutch company Telefónica Europe, B.V., the sole holder of the Company's convertible bonds, is not entitled to the right of free allocation in this capital increase, which is restricted to shareholders only, although it will be entitled to an adjustment in the exchange ratio of bonds into shares.

In order to maintain the ratio of one (1) new share for every fifty (50) old ones held, the Company's General Secretary has renounced eight (8) of the free allocation rights he is entitled to as a Telefónica shareholder.

- 6. Period for the allocation and transfer of the rights of free allocation in the Stock Exchange (hereinafter the "Period of Free Allocation"):** The rights of free allocation may be negotiated through the Spanish Automated Quotation System ("Sistema de Interconexión Bursátil"). The period for the negotiation of the rights of free allocation will begin on April 20, 1999 (the following working day after the day of the publication of this announcement) and will end, in any event, on May 20, 1999.

- 7. Non allocated shares:** Once the Period of Free Allocation of the new shares has ended, the shares which are not allocated for reasons not attributable to TELEFÓNICA, will be kept in deposit at the disposal of such person who may evidence his/her rightful ownership. Once three years have elapsed from the end of the Period of Free Allocation, the shares which are still pending allocation may be sold according to that provided for in article 59 of the Stock Companies Act, on behalf and at the risk of the persons concerned. The proceeds of this sale, once the expenses of this sale and the above mentioned deposit are deducted, shall be deposited at the disposal of the persons concerned at the Bank of Spain ("Banco de España") or at the General Deposit Fund ("Caja general de Depósitos").

- 8. Disbursement:** The disbursement will be made in its entirety from the disposable reserves (specifically it will be debited to the Appreciation Reserves account, for the Regularization of Balance Sheets for the Fiscal Year 1987, executed under the provisions of article 3 of the Law of December 31, 1945), and will take place when the Company's Board of Directors or its Standing Committee, once the Period of Free Allocation has ended, formally applies the reserves, in the amount of the increase, to share capital.

- 9. Voting and economic rights:** The new shares will entitle the shareholders, from the date of their allocation, to the same rights as those of currently existing TELEFÓNICA shares. The new shares will be entitled to receive any dividends which could be paid from the date of their issue, including, the refore, any dividends which may be paid out of profits for the fiscal year 1998.

- 10. Issue prospectus:** TELEFÓNICA has prepared a reduced informative prospectus, in accordance with the requirements established under the Spanish Securities Market Regulations, which has been verified and filed by the Spanish Securities and Exchange Commission ("Comisión Nacional del Mercado de Valores") on March 30, 1999, and is publicly available at TELEFÓNICA's registered office (Gran Vía 28, Madrid); the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia; and the Spanish Securities and Exchange Commission.

- 11. Entities through which the allocation may be conducted:** The allocation of the new shares may be conducted through any entity member to the SCLV within the Period of Free Allocation. Banco de Negocios Argentaria, S.A. will act as agent entity.

- 12. Listing on the Stock Exchange:** The Company will apply for the listing of the shares subject to this capital increase on the four Spanish Stock Exchanges and on the Automated Quotation System ("Sistema de Interconexión Bursátil"), as well as for listing on the Stock Exchanges of London, Paris, Frankfurt and New York, and their inclusion in the Stock Exchange Automated Quotation System (SEAI International).

Madrid, April 16, 1999.

The Secretary of the Board of Directors

Telefonica

Irish workers 'most satisfied'

By Robert Taylor, Employment Editor

The Irish are the most satisfied workers in the western industrialised world followed by the Danes, the Dutch, the Belgians, the Austrians and the Swedes, according to an international survey* of 50,000 employees in 18 countries.

David Blanchflower at the US National Union of Economic Research and Professor Andrew Oswald at Warwick University say they have found that workers who are the most dissatisfied come from southern European countries such as Greece, Portugal, Italy and Spain although the French are more dissatisfied than any except the Greeks. British and German workers are halfway in the satisfaction league table.

But the main survey finding is that most workers are satisfied with their working lives, with less than one in 10 expressing any discontent. Only 3 per cent of workers in industrialised countries say they are "very dissatisfied" with their job or workplace.

"In the largest international job satisfaction study ever undertaken, our team was surprised to discover such high levels of reported well-being in workplaces across industrialised nations," said Professor

Oswald yesterday. "It does not fit the traditional view based on anecdotes that stress is overwhelming the modern worker."

The survey suggests a similar pattern of age and work satisfaction in 17 of the countries covered. Employees in their 20s have a fairly high positive view of work but this falls to a low point around the mid-30s and thereafter rises into a person's 60s. Having a trade union in the workplace does not appear to improve worker satisfaction, the survey says. On the contrary, it makes satisfaction lower. Unsurprisingly, it found job security has a positive effect on satisfaction levels as does being able to work independently, earning a high salary and being a supervisor. Job satisfaction is higher in public sector employment but lower among black than white workers. Better educated workers are slightly less satisfied than those who are less well educated.

The US is the only country where job satisfaction levels have been recorded for more than 25 years. At the start of the 1970s 56 per cent of American workers said they were very satisfied at work; now the figure has fallen to 47 per cent.

*The paper is available from Andrew Oswald, Economics Department, University of Warwick CV4 7AL

JAVIER L. S. D.

COLORADO SCHOOL MASSACRE CALLS TO CONTROL VIOLENT FILMS AND MAKE PARENTS RESPONSIBLE FOR CHILDREN'S ACTIONS

Clinton to try again for gun curbs

By Gerard Baker in Washington

As the bereaved began burying the victims of America's worst act of school violence, the national search for ways to prevent a repeat of the massacre at the Colorado town of Littleton got under way in earnest.

President Bill Clinton said he would renew his attempts to get Congress to pass stricter gun laws and approve money to help communities ravaged by violence.

Republicans and a few Democrats stepped up their attacks on the entertainment industry and purveyors of violent images on the Internet.

And, as evidence mounted that the Littleton attack had been long in the planning, there were calls to force parents to take greater responsibility for the actions of their violent children.

Bill Owens, the governor of Colorado, said investigators had found "clear evidence"

in the home of one of the two teenagers who killed 13 children before shooting themselves that the attack had been premeditated. "If that's true, I think that perhaps charges should be filed against the parents," Mr. Owens told Fox News.

Janet Reno, the attorney general, refused to endorse any proposal to hold parents generally liable for violence by their children, but told NBC News it was important

to find out what the parents of the gunmen knew and what they should have known - and to take "appropriate steps".

Tipper Gore, wife of Vice-President Al Gore, said parents should pay much greater attention to what their children do - especially the films they watch and video games they play. But she did not repeat her controversial demand of several years ago when she appeared to call for some

form of stricter censorship of the entertainment industry.

Mr. Clinton said in his weekly radio address he wanted to keep guns out of the hands of juveniles and would seek \$12m for emergency teams "to help communities respond when tragedy strikes". The president said his Safe Schools Bill would crack down on gun shows and illegal gun trafficking, prohibit "violent juveniles" from being able to buy guns and close "the

loophole that lets juveniles own assault rifles". More money would also be made available to enable schools to buy metal detectors and other crime-prevention devices.

Meanwhile, police in Texas reported yesterday they had found gunpowder, crude bombs and computer discs with bomb-making information in the homes of three 14-year-old boys accused of plotting an assault at their junior high school.

Ontario aims to sue US tobacco groups

By Edward Alden in Toronto

Ontario, Canada's largest province, is preparing to sue US tobacco companies for as much as US\$40bn in an effort to recover the costs of treating smoking-related illnesses.

Elizabeth Witmer, Ontario's health minister, announced on Friday that the province had retained US counsel to pursue legal action under US racketeering statutes. The case would be the first launched by a Canadian province through the US courts.

British Columbia, Canada's third largest province, last year sued three Canadian tobacco companies, subsidiaries of Rothmans, Philip Morris and British American Tobacco, under legislation introduced specifically to allow the province to seek recovery of healthcare costs. The province has also threatened to impose a hefty annual licensing fee on companies selling cigarettes in British Columbia.

But those actions are tied up in a constitutional challenge from the tobacco makers that may drag on for several years, and other provinces have been wary of following British Columbia's approach. The province has made it clear its real intention is to force the companies to negotiate an out-of-court settlement.

The Canadian provinces are hoping to cash in on the precedent set by last year's US\$206bn, 25-year settlement

between the US cigarette makers and 46 US states. Canadian courts have been more reluctant than US courts to award large damages against companies guilty of wrongdoing.

If successful, Ontario would use the proceeds from the lawsuit to pay for healthcare costs, anti-smoking initiatives, and programmes to assist local tobacco farmers to switch to alternative crops. Ontario is Canada's largest tobacco-producing

Health spending related to tobacco use is estimated at about C\$1.1bn every year

region, and the provincial agricultural minister has criticised the British Columbia initiative, saying it would hurt Ontario farmers and encourage smuggling.

The Ontario government estimates that health expenditure related to tobacco use costs provincial taxpayers about C\$1.1bn (US\$743m) each year. But the Canadian tobacco industry argues that comparisons with the US are unreasonable as Canada levies much higher taxes on tobacco, additional revenue that more than compensates for the added healthcare costs.

Mexico to stick with tight spending reins

By Henry Tricks in Mexico City

José Angel Gurría, Mexico's finance minister, today starts a visit to New York and Washington to promote an economy that has confounded expectations so far this year.

But despite a triple dose of unexpected good news - a recovery in oil prices, a rebound in investor confidence, and buoyancy in the US market, where Mexico sells 80 per cent of its exports - Mr Gurría is almost grave when discussing what Mexico will do with the windfall in the run-up to presidential elections next year.

"We are very far from spending anything," he said in an interview. "In very bad times we've been tough on ourselves and it has worked well. We're going to stick to

that and we will continue to make assumptions that are very prudent."

Last week the economy gave fresh indications of health, when inflation for the first half of March and preliminary trade data for the same month were stronger than expected. The peso, which hit 10.64 to the dollar after the Brazilian devaluation in January, climbed to 9.31 on Friday, its strongest level in eight months.

Exports to the US have bolstered industrial production, although domestic demand remains stagnant. Mr Gurría said he was comfortable with the government's 3 per cent growth target, though he indicated it was based on assumptions about the US economy that looked conservative.

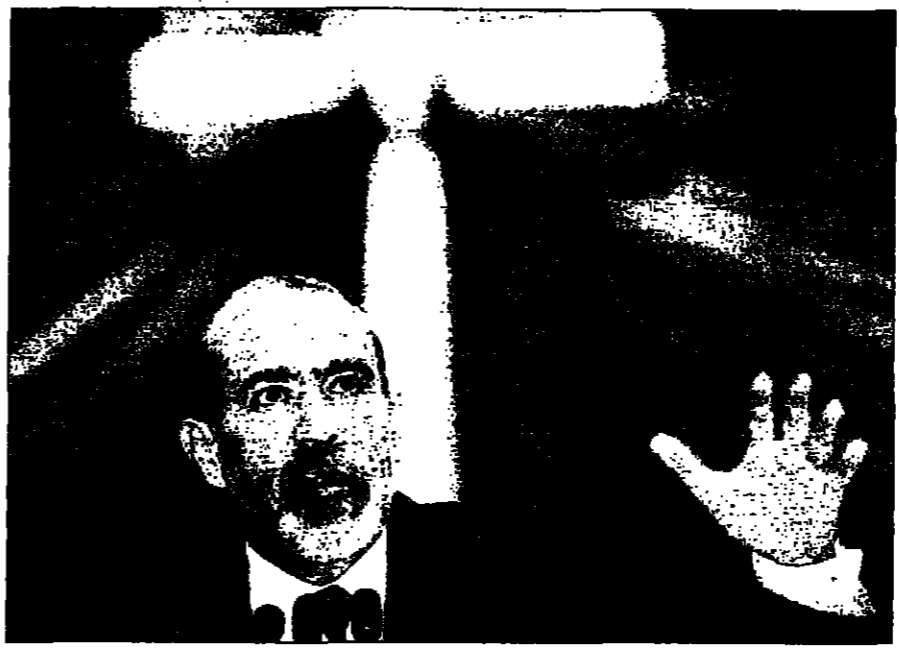
The indicators are evidently satisfactory to the

minister, who believes there is growing confidence among investors that Mexico will overcome the curse that has plagued it for a quarter of a century: economic crisis at each six-year change of administration. But he says it is too early to consider relaxing fiscal policy, despite higher oil prices and falling interest rates.

Last week, prices of Mexican crude oil, which accounts for more than a third of public sector revenue, topped \$14 per barrel, up from a budgeted price of \$9.25 per barrel.

But the minister noted that, in the first quarter, prices averaged less than \$9, and said they would have to exceed an average \$9.80 for the year because of production cuts.

Mr Gurría's conservatism is likely to go down well



José Angel Gurría: 'We will continue to make assumptions that are very prudent'

with investors, who fear an excess of pre-election spending. Gray Newman, an economist at Merrill Lynch, said: "My concern is that Mexico has demonstrated its ability to deal with the difficult

times. The verdict is out on its ability to deal with the good times."

Mr Gurría was also upbeat on Mexico's negotiations with the International Monetary Fund over the refinanc-

ing of part of \$9bn which falls due in 1999 and 2000. Part was being refunded in international bond markets, and "I don't think we will draw anywhere close to \$9bn [from the IMF]".

Disabled to have defining moment in Supreme Court

Judges are about to grapple with the troubled relationship between disability and employment, writes Patti Waldmeir

The US Supreme Court will this week consider one of the most contentious of all issues at the interface between business and the law: the relationship between disability and employment.

The court will be faced with the challenge of translating the spirit of the Americans with Disabilities Act (ADA) - a pillar of 1990s-style civil rights law - into a more concrete definition of what constitutes a disability.

The issue in three related cases to be heard tomorrow and Wednesday goes to the heart of the ADA's mission of ensuring equality of opportunity for disabled people: should the law cover individuals whose conditions can be corrected or improved with medication? Should it protect the many millions with such correctable impairments as near-sightedness or hypertension, or just the few who are blind or need a wheelchair?

The answer could have big repercussions for employers, who say a broad definition of disabilities such as myopia would potentially expose them to discrimination claims from the whole class of Americans who wear glasses or contact lenses (150m), as well as from 50m hypertensives.

Disability rights advocates

ally blind without glasses but see well with corrective lenses, are thus barred from working as pilots for United Airlines. The mechanic, whose high blood pressure is mostly well controlled with medication, is prevented from working for United Parcel Service on the grounds that he is a safety threat when road testing vehicles. And the trucker, who has driven rigs safely for 20 years, has been denied a job with a grocery store chain because of his "lazy eye" disability.

All three companies can defend their decisions on safety grounds. In two of the cases the individuals even failed to meet federal safety regulations. But safety is not the legal issue; the only question before the court this week is whether the four qualify as disabled.

So far federal courts have applied a narrow definition of disability: a disabled person is one who cannot function, with or without medical "mitigation". They have rejected the vast majority of disability-based job discrimination claims.

According to Ruth Colker, Ohio State University law professor, employers prevail in 83 per cent of court rulings on such cases. Judges dismiss most suits out of hand before they go to juries, which are traditionally sympathetic to job discrimination claims.

That means most of the frivolous ADA cases which give the act such a bad name - the Texan with hepatitis who claims he is disabled because he cannot have sex without a condom, the Florida judge tossed off the bench after shoplifting who claims he was penalised because of mental disability - are already weeded out by

judges. But so, says Ms Colker, are many legitimate cases.

Plaintiffs most often fall at the first hurdle: proving they are disabled. The act defines disability as a "physical or mental impairment that substantially limits one or more major life activity" - like working, seeing, or even reproduction (as the court ruled last year). The definition also includes those "regarded" by employers as disabled; interpreting "regarded as" expansively might provide a way out of the situation where plaintiffs are considered too disabled to work but not disabled enough to sue.

Expanding the definition would make it easier for plaintiffs to cross the disability threshold. "There is no question that these cases, if the court rules in favour of the individuals, will dramatically increase the size of the class of persons protected by the ADA," says Stephen Bokor, attorney for the US Chamber of Commerce.

Many hurdles would still impede a successful ADA claim though: employees must be not just disabled, but qualified to do the job and able to do it without requiring unreasonable measures which would cause "undue hardship" to the employer, and must be able to prove they were discriminated against.

Employers contend that many cases are never considered on merit: they are so expensive to litigate that most are settled beforehand, even if they are baseless. Widening the threshold would further increase the cost to employers in terms of time and money.

But John Farry, head of the American Bar Association's commission on mental and physical disabilities, says even an expanded definition will not substantially shift the balance of power. The court may make cases easier to bring - but not much easier to win.

CONSTITUENT ASSEMBLY EARLY VOTER TURNOUT APPEARS LOW

Venezuela holds plebiscite

By Raymond Collitt in Caracas

Venezuelans went to the polls yesterday in a plebiscite over a constituent assembly which would rewrite the country's constitution and reform the state by next year. Early voter turnout appeared low and numerous polling stations opened late.

Andrés Caleca, head of the electoral council, insisted that the voting process was running more smoothly than

during last year's congressional and presidential elections. The constituent assembly is the centrepiece of President Hugo Chávez's radical reform agenda. If approved, an assembly made up of 121 popularly elected representatives would convene for six months on July 5.

Mr Chávez, who came to power on February 2 following a landslide victory in December, has clashed with Congress and the Supreme

Court over his reform plans. He accuses the established political parties, which dominate most public offices, of corruption and mismanagement.

He has insisted on the assembly's right to dissolve Congress and the court despite a contrary ruling recently by the country's top tribunal.

The president had hoped for a high turnout to legitimise his controversial reform agenda.

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ASIA

Tension grows in Korea after threat to arrest union leaders

By John Burton in Seoul

Labour unrest is expected to increase in South Korea today after the government threatened to send in riot police to arrest trade union leaders.

Workers at Korea Telecom, the nation's main telephone operator, are expected to go on strike today, joining protests over job cuts staged by the unions of the Seoul underground system and Daewoo's shipbuilding division.

The bout of industrial action, which began a week ago with a strike by underground transport workers, has worried foreign investors, prompting some to sell shares on the Seoul bourse.

All the striking unions are members of the Korean Confederation of Trade Unions, the smaller but more militant of the nation's two trade union groups.

The labour dispute turned

violent at the weekend when riot police clashed with protesters outside Seoul's main Catholic cathedral and Seoul National University, where the union leaders are hiding. Several workers were injured, and one beaten unconscious.

Some 2,000 workers have set up a makeshift tent city in the cathedral grounds to seek refuge. "A police raid would be taken in full consideration of public sentiment. But it is the public's belief that a situation like this requires sternness," said a senior presidential adviser.

The KCTU warned that any attempt to arrest the union leaders would lead to strikes across the nation. The KCTU represents 550,000 workers, many of them in important export industries such as cars and shipbuilding.

The government yesterday said the strikes were undermining Korea's efforts at economic recovery following



Strikers clash with riot police yesterday outside the Catholic church in Seoul. The unions want an end to mass sackings resulting from corporate restructuring and are offering to cut hours instead. AP

last year's financial crisis. "The core demand of the trade unions is that the government stop its restructuring drive. But the government cannot delay it if we are to overcome the economic crisis."

It warned striking underground transport workers

they would be dismissed unless they returned to work today.

Officials say the strikes are illegal because workers failed to observe a mandatory 15-day mediation period. The KCTU wants an end to mass sackings resulting from corporate restructuring

and is offering to cut hours instead.

Unemployment climbed to nearly 9 per cent earlier this year before falling to 8.1 per cent in March, but analysts believe the rate will rise once again as the big conglomerates begin to restructure under state pressure.

India poised for early election

By Mark Nicholson in New Delhi

Indian elections appeared inevitable last night after the failure of both Congress and other smaller opposition parties to agree on an alternative government to the coalition led by the Bharatiya Janata party, ousted in a confidence vote a week ago.

Sonia Gandhi, Congress leader, yesterday met the president, K.R. Narayanan, to tell him she had failed to win enough parliamentary backing to offer a minority Congress government, holding the support only of 239 out of 543 members.

She said Congress would not back any other non-BJP coalition. But any hopes of a non-BJP coalition were also scotched yesterday when the Communist Party (Marxist), parliament's third biggest party and a central component of any such "Third Front" said that such a coalition was not feasible.

Proposals for such a front, made by a handful of small regional parties "are nothing to do with the realities today", said Harkishan Singh Surjeet, a Communist party leader.

The next step rests with the president, who is expected to dissolve parliament, just 13 months after it was elected, and call fresh elections.

The date would be set by M.S. Gill, India's powerful chief election commissioner, after consultations.

Atal Behari Vajpayee, caretaker prime minister, also met Mr Narayanan late yesterday, but would not comment on whether the president had already decided to dissolve parliament.

Though the world's biggest election - with 600m voters - can be organised within two months, it may be held later to avoid the peak of the heavy summer monsoon rains - perhaps in October.

Editorial comment, Page 15

NEWS DIGEST

CHINA'S BID TO JOIN WTO

EU to hold talks on Beijing trade policies

European Union negotiators left for Beijing yesterday to discuss China's moves to join the World Trade Organisation. Sir Leon Brittan, the acting EU trade commissioner, is due in Beijing on May 5 for a two-day visit and to return a week later for the annual China-EU summit.

Behind the EU is a queue of negotiators from Australia and Japan awaiting the outcome of the talks before beginning their own bilateral negotiations with Beijing on China's WTO entry. As the EU team flew in, US officials were ending a mission to China after an apparently unsuccessful attempt to secure a deal for Chinese entry. Robert Cassidy, US assistant trade representative, arrived last Wednesday following the return of the premier, Zhu Rongji, from a North American tour in which he just failed to clinch the deal with President Bill Clinton that would clear the path to China's WTO entry. Mr Cassidy said his goal was to fulfil the pledge the two leaders made in Washington to get China into the WTO this year, 13 years after Beijing first made its entry bid. International Staff

TAIWAN

Party may ease China line

Taiwan's main pro-independence opposition group, the Democratic Progressive party, is considering recognising the island's official identity as the Republic of China.

Though largely semantic, such a move would be a symbolic attempt to reduce the possibility of confrontation with Beijing. The DPP, which calls for an independent Republic of Taiwan, has so far shunned the Republic of China name as embodying the ruling Nationalist party's stated goal of reunification with mainland China. However, support is growing within the party for a softer stance, as concern among voters that DPP policies might lead to conflict with Beijing is seen as an obstacle to the party's electoral prospects. DPP officials said the proposal to change the charter could be debated at a party congress in early May. There remains strong opposition within the party to the change, which is seen by hardline pro-independence activists as a betrayal of their policy roots. Mure Dickie, Taipei

MALAYSIA

Anwar associates face trial

Three associates of Anwar Ibrahim, the sacked and convicted deputy prime minister of Malaysia, are to be tried on charges of perjury. One has been charged with giving false evidence, a second with fabricating evidence in a statutory declaration and the third with fabricating evidence through a sworn affidavit. The three pleaded not guilty and were released on bail. Mr Anwar was convicted April 14 on charges of abusing his power to conceal alleged sexual misdeeds.

Three of the five men named as Mr Anwar's sex partners have said they were forced by the authorities to make those claims and a fourth contradicted himself as a witness in Mr Anwar's trial. Mr Anwar insists the charges against him were fabricated in a political conspiracy to prevent him from challenging the 18-year rule of the prime minister, Mahathir Mohamad.

Sheila McNulty, Kuala Lumpur

ASIAN DEVELOPMENT BANK ANNUAL REPORT RESOURCES CONSTRAINED SINCE ASIAN CRISIS

ADB needs to review capital adequacy

By Peter Montagnon, Asia Editor, in London

The Asian Development Bank says it "needs to review" its capital adequacy following the unforeseen assistance given to Asian countries stricken by economic crisis.

Financial resources were much more constrained since the crisis, the bank said in its annual report. Headroom for both lending and new borrowing on international capital markets had been reduced. Last year the bank borrowed a record \$9.6bn, but this is expected

to fall back sharply in 1999 as fewer crisis-related loans are paid out.

The report showed new loan commitments fell sharply last year to \$5.96bn from \$9.41bn in 1997, a figure swollen by a \$4bn emergency loan to South Korea. But crisis-related lending to Indonesia took up \$1.8bn, nearly a third of last year's total. Lending to the poorest countries, on concessional terms from the bank's Asian Development Fund, fell sharply to \$987m from \$1.62bn.

Tadao Chino, the ADB's new president, warned last month that formal discus-

sion would need to begin later this year on replenishing the Asian Development Fund, whose resources have fallen short of expectations, partly because of a decline in the value of the yen, the currency in which Japan, the largest donor, makes its contributions.

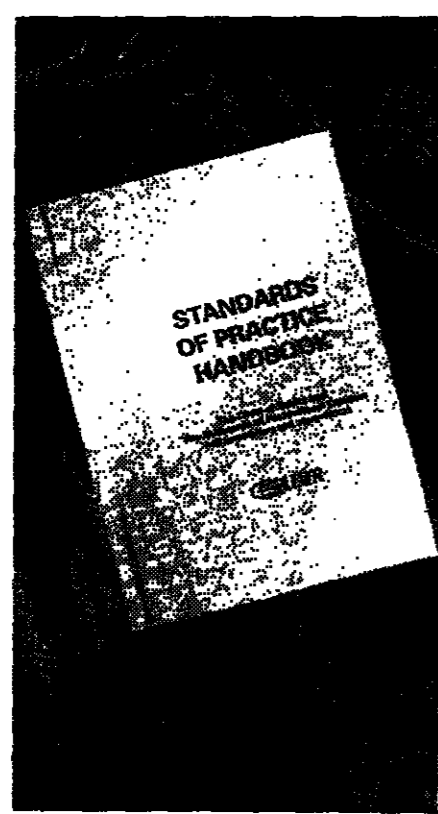
The bank would examine ways of using its financial resources more efficiently before seeking a capital increase, he said. Consideration of the bank's resources is, nonetheless, likely to be a theme of its annual meeting, which opens in Manila at the end of this week.

The bank's authorised capital is \$49.2bn, but the report showed that subscribed capital at the end of last year was not far short of this amount at \$48.5bn. Despite the crisis, the bank has suffered only marginally from non-performing loans, with only 0.2 per cent of outstanding loans from its ordinary capital and 3.5 per cent of ADF loans in arrears at the end of last year.

Some three-quarters of last year's lending went to four countries, Indonesia, Thailand, the Philippines and China. As a result of sanctions following its nuclear

test, lending to India, traditionally a large recipient, fell to only \$250m, less than half its 1997 level.

Over a quarter of last year's lending went to support financial sector reform. But the report sought to stress the broad range of the bank's activities, including strengthened efforts to combat corruption. The report referred to earlier studies estimating that corruption had added 20-100 per cent to cost of procuring goods and services in several Asian countries. Corruption could deter foreign investment inflows, it added.



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NOTICE OF MEETING

- Dear Shareholder,
- We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on April 30, 1999 at 11.00 a.m., at the registered office of State Street Bank Luxembourg S.A., 47, boulevard Royal, L-2449 Luxembourg, with the following agenda:
1. Presentation of the reports of the Board of Directors and of the Auditor.
 2. Approval of the balance sheet, profit and loss account as of December 31, 1998 and the allocation of the net profits.
 3. Discharge to be granted to the Directors and to the Auditor for the fiscal year ended December 31, 1998.
 4. Action on the election of Thomas M. Turpin, John R. Varant, Jean-Claude Koch, Alfred Bensch and Steven Spiegel as Directors and Privatization House Cooper S.A. as Auditor for the coming year.
 5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

In order to take part at the Annual General Meeting, the owners of bearer shares must deposit their shares 5 clear days before the meeting at the registered office of the fund, 47, boulevard Royal, L-2449 Luxembourg.

By order of the Board of Directors

CONTRACTS & TENDERS

Specific Procurement Notice for IT Systems for the Pakistan Audit Department, Pakistan

Reference Specific Procurement Notices for IT Systems for the Pakistan Audit Department, Pakistan, published on April 8, 1999, announced that the dates of availability of bidding documents and submission of bids have been changed. Will be advertised later.

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CONTRACTS & TENDERS

KINGDOM OF MOROCCO MINISTRY OF PUBLIC SECTOR AND PRIVATISATION

EVALUATION AND PRIVATISATION OF
THE TELECOMMUNICATIONS COMPANY
Itissalat Al-Maghrib (IAM)

SELECTION OF INVESTMENT BANK

Within the framework of preparing the privatisation of Itissalat Al-Maghrib (IAM), the Ministry of Public Sector and Privatisation, charged with implementing the transfers, offers, by tender, for evaluating and privatising the national telecommunications company "Itissalat Al-Maghrib".

The present offer by tender is addressed to groupings between Moroccan and foreign investment banks having strong references in this field. The grouping will be joint and several.

The offer will be presented in accordance with the tender documents. After receiving all offers, oral presentations by candidates will be scheduled by the Ministry.

The interested investment banks or their duly authorised representatives may obtain the tender documents, available in French, starting 26 April 1999 at the Ministry of Public Sector and Privatisation located at 47 Avenue Ibn Sina (first floor), Agdal, Rabat, Morocco. The tender documents could be also consulted at the Web Address of the Ministry site: <http://www.minpriv.gov.ma>.

The offers should be received by the Ministry of Public Sector and Privatisation at the address mentioned above, at the very latest by 14 May 1999 at 18:00 PM GMT.

US groups lead boom in high-tech investment

By Kevin Brown, Industry Editor

High-technology investment by overseas companies is booming, according to unpublished figures collected by the Invest in Britain Bureau, the government's main inward investment agency.

IBB officials, who answer jointly to the Foreign Office and the trade and industry department, said 57 high-

technology investments were concluded in the first three months of the year - a rise of 39 per cent on the first quarter of 1998.

US companies led the field, investing heavily in information technology, telecommunications and software businesses, either through direct acquisition or by establishing their own operations.

Significant US investments included operations in Livingston and Edinburgh,

in Scotland, set up by Cisco Systems, an Internet networking specialist; a subsidiary in Manchester in north-west England established by Perlogic, a San Francisco software company, and an aviation software development unit set up in Northern Ireland by Western Pacific Data Systems.

Most investment projects involved fewer than 100 jobs, although Hutchison Whampoa of Hong Kong, NEC

Technologies of Japan, and Motorola and MCI Worldcom of the US announced a joint total of more than 4,000 jobs.

Ministers see the high-tech boom as justification for the government's decision last year to switch the IBB from seeking big greenfield manufacturing investments to high-tech investments and additional spending by companies that have already established UK operations.

Michael Wills, DTI inward

investment minister, said the growing level of high-tech investments was in line with government attempts to encourage "knowledge" dissemination throughout the economy.

"These big plants are not being created any more. But these [high-tech investments] are immensely valuable assets to this country, and they do create jobs and wealth, although perhaps not directly in the way we

have seen in the past," he said.

Derek Fatchett, Foreign Office minister of state, said the investment strategy was working remarkably well. "I am sure that if Honda or Toyota said they wanted to open a new factory with lots of jobs we would snatch their hands off, but this is where we think the best prospects are now," he said.

IBB officials said information technology and elec-

tronics were estimated to turn over about £50bn in the UK, now the world's fourth largest market, with up to 6 per cent of the global market.

They said companies were choosing the UK as a launch pad into Europe because it is seen as having a business-friendly environment combined with a competitive telecommunications infrastructure, essential for electronic commerce.

Scottish election spotlight falls on Connery

By Andrew Parker, Political Correspondent

The Scottish National party will today try to salvage its beleaguered position in the May 8 elections for the Scottish parliament by placing Sean Connery, the actor and SNP supporter, centre stage in the campaign.

The SNP hopes the spectacle of Mr Connery appealing to voters to reject Labour during a rally in Edinburgh, the Scottish capital, will kickstart a campaign that has been sidelined by the Kosovo crisis.

In an open letter to 300,000 floating voters issued by the SNP yesterday, Mr Connery said: "The SNP is Scotland's party. Its plans for our future are made in Scotland, by Scotland, for Scotland. New Labour is controlled by Tony Blair [the prime minister]. And in our parliament, if New Labour was in charge, all the decisions would still be made in London."

In response to opinion polls last week that suggested the nationalist vote was collapsing, the SNP decided to appeal to the hearts of voters.

The party believes it can only reverse Labour's commanding position in the polls by injecting some drama and passion into the campaign.

Alex Salmond, SNP leader, conjured up the image of William Wallace, the Scot who led the medieval independence wars, by promising a "Braveheart campaign".

The change of strategy may shore up the position of Mr Salmond, who has been criticised for focusing on the devolved parliament rather than the party's goal of an independent Scotland.

Some SNP candidates have privately claimed Mr Salmond could face a challenge to his leadership if the party fails to secure at least 40 seats in the Edinburgh parliament.

Think-tank calls for a 'less British' Commonwealth

By David Wighton, Political Correspondent

The Commonwealth needs radical reform if it is to help its member countries compete in the global economy, says a think-tank close to the Labour party leadership.

A report by the Foreign Policy Centre recommends that the monarch should be replaced as head of the Commonwealth at the end of the current reign and that the secretariat should be moved from London to make the organisation "less British".

It also calls for greater focus on maximising the members' economic potential, particularly by sharing experience on issues such as regulatory reform and tackling corruption.

Dismissing those who claim the Commonwealth has no role in the modern world, the report says it is a network well suited to a global age with enormous untapped potential. But to realise that potential requires radical reform of its aims and structures.

To reduce the London bias of the organisation, the report says the organisation's secretariat should be moved from London to New Delhi or Cape Town. The

Queen's role as symbolic head of the Commonwealth could be supplemented by a presidency, with one head of government elected for a two-year term.

Other moves should be considered to give the Commonwealth a permanent presence between its meetings.

"The Commonwealth appears for a few days every two years when its heads of government meet, and then disappears. Unless it develops a permanent presence that allows it to respond to crises, it will never be relevant," say the authors, Kate Ford and Sunder Katwala.

They point out that as a group Commonwealth countries have great economic potential, not least in their common administrative and business cultures. But this was often outweighed by corruption, bureaucracy, a low skills base and inadequate infrastructure.

The Commonwealth also needed a new declaration of democracy and human rights that included multi-party democracy, freedom of expression and of the media, the right to oppose governments without intimidation and for prisoners not to be tortured.



Police yesterday examining the scene of Saturday's Brick Lane nail-bomb, in which at least five people were injured

Toby Melville

Police under pressure after London bombs

By Simon Buckley, Social Affairs Correspondent

The Metropolitan police are under increasing pressure to catch those responsible for planting two nail-bombs in London that have injured almost 50 people over the past two weekends.

Police say they have "serious fears" that the bombing campaign, assumed to be by racist groups, may spread around the country. Officers

have also reported that a "growing number" of threats from extreme right-wing groups have been received since the bombing in Brixton, in south-east London, 10 days ago.

Saturday's bomb in Brick Lane in east London, the centre of London's Bengali community, had "unequivocally racist motivations" and was "clearly designed to maim, kill and injure innocent people", said Sir Paul

Condon, Metropolitan Police Commissioner. Catching those responsible for the two bomb attacks was the "major priority" for the police, he said.

Tony Blair, prime minister, said: "These things are outrageous and we will make every effort to find out those responsible and bring them to justice."

Combat 18, a neo-Nazi group that takes its name

from the alphabetical order of Adolf Hitler's initials, has claimed responsibility for the Brick Lane bombing. Along with several other far right groups, they also claimed they planted the Brixton bomb.

Claude Moraes, of the Commission for Racial Equality, demanded that police step up their efforts to catch the perpetrators. "There are elements in society - the far right is an

example - who don't like what has happened in the Stephen Lawrence inquiry," he said.

"They don't like the idea of lifting the rock and seeing racism underneath. Those elements are creating a backlash."

Mark Wadsworth, of the Anti-Racist Alliance, said ethnic minorities were "suspicious of the police. They have a long way to go to regain our confidence."

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9

COMPANIES

Finals:
Buckland Invs; Ryan Holdings
Seaboard Shiloh
Interims
Carr's Milling Inds; Fibre
Grp.

THURSDAY APRIL 25
COMPANY MEETINGS:
Expamet; Spirent; Hall
Lime Tree; Lane E.C.;
National Express; Soma
T.A. & M. Lane E.C.

FRIDAY APRIL 30
COMPANY MEETINGS:
Chiroscience
S & U
SVE Hodge
Corraught; Smith (W)

FRIDAY APRIL 30
COMPANY MEETINGS:
Chiroscience
S & U
SVE Hodge
Corraught; Smith (W)

COURSES

PROFILE ED CRUTCHFIELD, CEO FIRST UNION

Scaling difficult heights

After buying up more than 100 banks in 15 years, First Union is discovering that size alone is not enough to get you noticed, writes John Authers

The skyline of Charlotte in North Carolina is dominated by the headquarters of two rival banks. First Union is a glorious round-topped skyscraper, built early in the decade. NationsBank, three blocks away, is an ornate version of the Empire State Building, known locally as the "Taj McCall" after its chief executive, Hugh McCall. It is noticeably taller. Not to be outdone, Ed Crutchfield, the chief executive of First Union, is planning a new office tower in Charlotte, although he denies speculation that it will be 30 stories taller than the Taj.

Thanks to North Carolina's lenient banking laws, which do not forbid local banks from buying banks in other states, Mr Crutchfield and Mr McCall have transformed their respective banks into the largest in the American south, and Charlotte into the second largest banking centre in the country.

In the process, they have helped redefine the role of banking in the fragmented US market - in spite of the consolidation of the past years, there are still 9,000 US banks in operation.

Like the Charlotte skyline, the rivalry between Mr Crutchfield and Mr McCall is legendary. Both approach franchise building as a military operation, complete with maps of the US to demonstrate possible targets.

The two have competed head to head on many deals. NationsBank, which merged with BankAmerica last year and is taking on the latter's name, is now the second largest bank in the US in terms of assets.

First Union is the fifth largest, with a network that takes in New England and

most of the eastern seaboard down to Florida. For Americans, seeing the same bank logo in different states is still a novelty - not to mention the convenience of being able to cash a cheque outside your home state.

When Mr Crutchfield became chief executive of First Union in 1984, the bank was hardly known outside North Carolina. Fifteen years and more than 100 acquisitions later, First Union has assets of \$225bn (£141bn) and 24,000 branches, the third largest network in the US.

But as Mr Crutchfield has discovered, size alone does not get you noticed. His candid estimate is that First Union may not even rank in the 100 most recognised company names in the US. "Distributing through new channels works okay if you have got some name recognition. It doesn't if no one's ever heard of you."

Brand recognition, he

says, is everything in a business where profits are increasingly coming from the sale of investment products and fund management fees, rather than lending and deposit taking. "We are about half like a traditional bank today - that's deposit taking, lending and checking accounts. That's growing at only about 5 or 6 per cent a year."

"The other half is the Merrill Lynch-type half, and it is growing at 30 per cent. If that trend continues, you can see that 10 years from now we'll probably have a ratio of two-thirds to one - third."

"There really is no bank in the country that has gone as far as we have towards transforming itself into a diversified financial services company," he says.

This leaves Mr Crutchfield with two problems: what to do with all the bricks and mortar he has bought over the past 15 years, and how to

imprint First Union firmly on the US banking map.

Mr Crutchfield admits more acquisitions will not deliver the recognition he craves for. "We cannot forever hope that someone's brand name that we might merge with is going to be the name which solves our problem," he concedes.

His answer has been twofold: a glossy national advertising campaign, and the intensive retraining of staff to sell investment products.

The ad campaign depicts a nightmare financial world straight out of science fiction, from which a vast skyscraper emerges - First Union, of course. It is the "new mountain" on the banking landscape, and customers are urged to call 1-800 MOUNTAIN to discover more.

The campaign has attracted plaudits and derision in roughly equal measure, but Mr Crutchfield is unrepentant. "I said I

wanted something which dramatically pierced through the clutter out there. I didn't want a grandfather with a three-year-old kid and a fishing rod saying don't worry son, we'll save and you'll get a college education."

Retraining has been an equally vast operation, particularly when one considers the logistical challenge of instilling a single, national corporate ethos into the staff of more than 100 locally focused banks.

Mr Crutchfield's response was to found a training college - First University - where the latest technical wizardry in education, such as CD Roms with difficult customers, are available to train staff.

No less impressive is First Union's vast customer services centre in Charlotte: the floor space is larger than that of the Empire State Building in New York, and only slightly smaller than the Pentagon's.

"It has got 10,000 people in it and it's full of technology and it can handle 200m telephone calls in one hour. That gives you a clue on how I think the distribution will move," Mr Crutchfield says.

Wall Street, however, is less impressed. First Union's shares fell 9 per cent in January after it announced a lower profit forecast for the year. Mr Crutchfield responded by announcing plans for big job cuts. But his bank is still trading at a multiple of 19 times earnings, the lowest multiple of the top tier of US banks.

With hindsight, Mr Crutchfield says, the profits warning should have been accompanied with more information. Analysts concluded that Mr Crutchfield was having difficulties in integrating CoreStates, Philadelphia's biggest bank, which he bought in



1997 for more than \$17bn.

Mr Crutchfield says "very little" of the warning related to the CoreStates acquisition. It was expenses growth which had spiralled out of control.

"We had parts of the business with the accelerator to the floor and the throttle wide open. The growth rate of expenses in capital markets and capital management, which I had been giving our executives free rein

on for five years, was maybe 40 per cent a year. That's okay when you are starting a business. But we said this is one of those years when we are going to have to take a break." Spending on advertising will continue, despite some criticism from Wall Street.

Mr Crutchfield does not rule out another big deal, although First Union's current earnings multiple, plus the thinned field of merger

candidates after last year's mega-deals, mean that a big acquisition is unlikely soon.

He points out that First Union's market value is about \$56bn, making suggestions that the bank might be an acquisition target virtually out of the question. "There will probably be only three or four pure banking companies which are national like Wal-Mart or McDonald's." He wants First Union to be one of them.

Essential Guide to Ed Crutchfield

Age: 57 - more than enough time to pull off another "mega-deal". CEO since the relatively youthful 43.

Home state: North Carolina. He started at First Union on graduating from Wharton, confident that the then sleepy regional bank had great growth opportunities.

Arch-rival: Hugh McCall, of NationsBank (now BankAmerica).

Anything Hugh can do Ed can do better: They took it in turns to make the largest banking acquisition in the US. In August 1997, NationsBank bought Barnett Banks of Florida for \$15.5bn. Three months later, First Union bought CoreStates of Philadelphia for \$17.1bn - the record price for a US bank.

Big dates in First Union's acquisition campaign: 1985, bought Atlantic Bancorporation - entered Florida for the first time; 1986, starts buying banks in Georgia and South Carolina; 1987, buys banks in Tennessee; 1992, starts buying in Virginia; 1996, buys First Fidelity in Newark, New

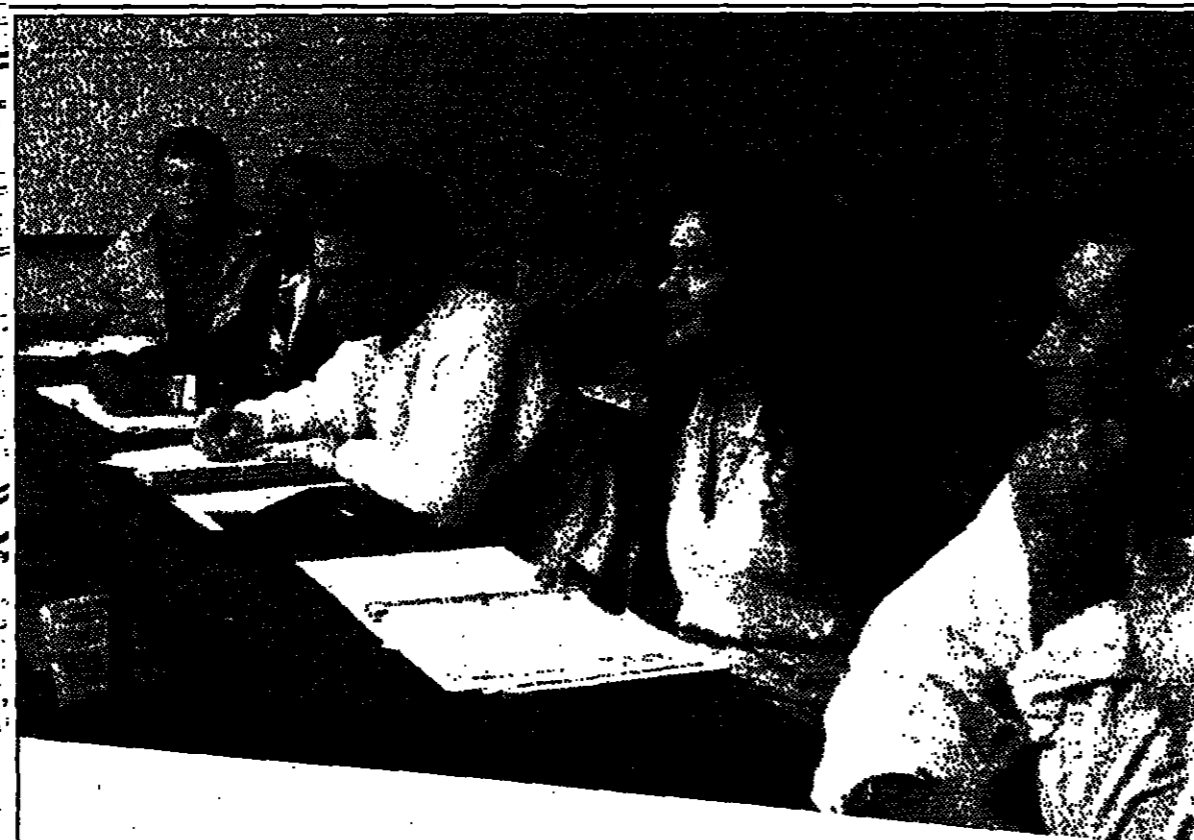
Jersey - moving north; 1997, buys Signet Bancorporation of Virginia. Asked how he decided the price, he said: "I just kept stacking billion dollar bills on the table until Signet said yes."

1997, buys Wheat First Butcher Singer investment bank - First Union can underwrite equity for the first time; 1998, completes acquisition of CoreStates Financial, Philadelphia's biggest bank. Then buys The Money Store, a national home equity lender.

Sporting interests: Under Crutchfield's direction, First Union helped bring the Hornets basketball and Panthers football teams to Charlotte. Both boosted the city's self-esteem immeasurably.

Where will he go next? Expensive acquisitions for a premium are unlikely, but a merger of equals is plausible. Possible partners, all in the throes of integrations of their own, might include Bank One, Wells Fargo or, most likely, Fleet of Boston.

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MANAGEMENT



BUSINESS TRAVEL STATION HOTELS

Rail's sleeping giant awakes

Gillian Upton gauges the prospects for Europe's railway hotels following the success of the high-speed train network

Europe's railway hotels are making a comeback as air travellers and road-users switch to the high-speed train links connecting the continent's main business centres.

The Thalys rail network, which connects Paris, Brussels, Amsterdam, Cologne and Düsseldorf, has been particularly successful. Last year Thalys, a joint venture between the four countries, carried 4.7m passengers, an increase of 55 per cent over the previous 12 months.

The Paris-Brussels service which takes just 90 minutes, has won a 43 per cent share of the travel market between the cities.

And no one flies between Paris and Lyons anymore - the TGV completes the trip in two hours and has won 90 per cent of the traffic on that route.

"Railway hotels are coming back into their own," says Clive Hillier, vice-president of corporate development at Hilton International. "Drastic improvements in the speed of rail networks

and links between airport and rail are making them viable once more."

Hilton is building two railway hotels. The first will open this winter at Copenhagen airport, linked by a walkway to the railway terminal and airport.

The second is in London, one of three hotel projects helping to regenerate the surrounding areas. The Great Western Royal Hotel at Paddington station, now closed for refurbishment, will reopen as the GWR Hilton Paddington by the end of next year. The building's Victorian facade will remain.

Hilton is hoping to attract the 30m travellers expected to pass through Paddington each year when the Heathrow Express, the airport rail link, becomes fully operational at the end of this year. The £80m investment in the hotel is part of a regeneration programme.

In Paris, Eurostar passengers arriving at Gare du Nord have the convenience of the revamped Nord Hotel. At Paris Charles de Gaulle,

Roissy - the terminal for both the Metro and the north-south TGV line which bypasses Paris - there is a Hyatt Hotel.

Germany has 17 InterCity hotels, most of them integral to railway stations on the main lines.

'Improvements in rail networks are making railway hotels viable once more'

Deutsche Bahn network. Business is booming. Guests receive free passes for the public transport system when making a booking from Kiel, Hamburg, Hanover and Rostock in the north to Wuppertal and Frankfurt in central Germany and Freiburg, Stuttgart and Augsburg in the south.

Railway hotels' great attraction is that they are

conveniently located in or near the city centre, and close to other transport.

However, in many cities these same areas are run-down. In such cases, the hotels require considerable investment to attract business travellers.

Milan's fabulous station, for example, has several hotels nearby but it is in the gypsy quarter of the city. Frankfurt's InterCity Hotel may be next door to the station and a 500-metre walk from the city's exhibition grounds, but it is in the middle of the red light district.

Meanwhile, some cities do not have a hotel at the station. Brussels Midi has none but one stop away, at Brussels Central, there is a selection. Lille also lacks hotels, although there are several near the old station.

"The economic case has to be made," explains Mark Phillips, director at international and tourism consultants Horwath UK. "Hotels have to attract business, conference and leisure business to fill seven days a week. They have to see the demand coming out of railways."

"Urban regeneration helps," says Trevor Ward, joint managing director of BDO Hospitality Consulting. "The changes are coming but the problem is that we love our cars too much."

London's Gothic St Pancras station is the location of another Eurostar terminal to augment Waterloo and, by 2007, it will become a mixed-use hotel, shopping and apartment complex, the result of a consortium of Marriott, British Airports Authority and Manhattan Lofts.

At Liverpool Street station, the Great Eastern Hotel is being transformed in a joint venture between Sir Terence Conran and Arcadian International.

The development, a 266-bedroom hotel with six restaurants, is due to open late this year.

"It is the only site in the historic Square Mile of London that has the additional benefit of being attached to a railway terminus, which means an enormous amount of through traffic," says Roy Turry, Arcadian operating director. "It makes a very exciting site."

TECHNOLOGY SATELLITES

Information that is heaven-sent

Data gleaned from satellites is available on a pay-per-view basis, says Leonard David

Do you ever have the feeling that somebody is looking over your shoulder? In future, it might be better to look upwards rather than behind you.

A new class of privately built satellite, capable of snapping images of objects just a metre across from hundreds of kilometres up in space, is about to go on patrol.

Such highly detailed satellite pictures were once the preserve of military and intelligence agencies, but now they are available on a pay-per-view basis.

Tomorrow the first of three private satellites scheduled for launch this year is due to be lifted into orbit from Vandenberg Air Force Base in California. The Ikonos-1 satellite, equipped with a Kodak digital camera system and owned by Colorado-based Space Imaging, will be followed by OrbView-3 (from Virginia-based Orbital Imaging) and QuickBird-1 (from EarthWatch, another Colorado company).

These companies are part of a growing remote-sensing industry, which can transform satellite pictures into an array of data products, useful for crop monitoring, scouting for oil and gas resources, better management of urban sprawl and many other purposes.

But the three new satellites should further expand the market for such pictures by making high-quality images available rapidly, efficiently and inexpensively, says Ray Williamson, a research professor at George Washington University's Space Policy Institute in Washington.

"We have the potential for much greater insight into our environment, activities of our neighbours, not just in the local or regional sense, but also on a global scale."

An obvious market for pictures from the three new satellites will be news organisations, especially those covering places where media are unwelcome or circumstances are dangerous. Depending on the type of order and accuracy needed, Ikonos-1 pictures could cost \$30-\$50 (£19-£18) per square mile covered, says Mark Brander, director of Washington operations for Space Imaging.

Another market is that of environmental compliance. Molly Macaulay, a senior fellow at Resources for the Future, a Washington-based think-tank, says high resolution earth-orbiting cameras should be able to monitor industrial activity and help experts detect pollution problems. "I see these satellites as a possible tool for monitoring compliance with international environmental agreements. The technology seems to be there," she says.

But the new satellites could also boost demand in the business world for what is called "competitive intelligence gathering" - gleaming data legally about a rival company without its knowledge. Commercial satellite imagery offers new opportunities in this field, says Fred Wergeles, a former Central Intelligence Agency specialist in collection strategies and military analysis.

Some issues, however, have yet to be addressed before satellite remote sensing becomes a readily available commodity. So-called "shutter control" rules, whereby commercial remote sensing satellites may be ordered by a government to turn off sensors while flying above security sensitive sites, or barred from disseminating photos taken over them, remain to be agreed. Handling the data from the satellites is also a thorny issue. "Like fire hydrants in orbit, these satellites will pour out streams of data from the heavens," says Courtney Stodd, president of PixSell Data Brokers, based at the National Aeronautics and Space Administration's Stennis Space Center in Mississippi.

More work is needed, he says, to provide quick, accurate, and reliable processing and distribution of satellite images and data products to the customer. "With higher speed computers, the internet, rapid advances in automation and software, that's happening. No question."

According to Dr Williamson, the real challenge is moving "from image to information". Interpreting space-borne imagery has long been the duty of CIA analysts, teams of specialists in the US National Reconnaissance Office and other groups working in secrecy. Many of these experts, looking for jobs in the private sector, are sure to be in demand, he says.



SIEMENS

Strong growth in second quarter - First-half results increase 17%

Information for Siemens shareholders

Buoyed by surging business in the second quarter, new orders climbed 10% and sales rose 17% in the first six months of fiscal 1999. Semiconductors, Automotive Systems, Siemens Business Services, and Production and Logistics Systems were the main growth drivers. The vigorous growth in sales was primarily attributable to the billing of major projects, and will normalize in the course of the year. Net income rose 17%.

New orders, particularly outside Germany, jumped sharply in the second quarter. For the first half, international orders increased 8% to DM45.6 billion, boosted by strong demand in Europe and the U.S. Domestic orders climbed 13% to DM19.7 billion. Both new orders and sales were substantially affected by changes in the group of consolidated companies, notably the first-time consolidation of the industrial activities of Elektrowatt and the Westinghouse conventional power plant business.

Growth at Power Generation (KWU) continued to be stimulated by the buoyant U.S. market for fossil-fueled power plants. The Westinghouse acquisition has given Siemens full access to this market.

In the newly formed Information and Communications segment, Siemens Business Services (SBS) showed the strongest growth rates; the unit profited from a number of major contracts, especially in the international market. Information and Communication Products (ICP) had a successful launch of its new-generation cell phone, the C25. While Information and Communication Networks (ICN) recorded vigorous growth in Germany, the domestic market accounts for only one-quarter of the Group's business.

In the Components segment, Semiconductors in particular showed a positive trend; the Group profited from its shift from the 16-megabit to 64-megabit generation of memory chips, and from an improved price situation. Automotive Systems

also showed double-digit growth in orders and sales. Business in the rest of the Groups developed largely as expected.

Net income climbed 17% to DM1.39 billion in the first six months. Nearly all of the Groups contributed to the improved earnings. The earnings trend at Medical Engineering was especially favorable.

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Note: German law does not require the information contained in this interim report to be audited. Copies of the interim report are available on request from S.B.C. Warburg, attn: Mr C. Ward, 2 Finsbury Avenue, London EC2M 2PP.

BUSINESS EDUCATION AWARDS

Keeping company with the campus

Recent mergers have enhanced the role of corporate universities, says John Authors

Corporate universities are often regarded as slick marketing devices for companies' training and human resources departments. Give an institution the tag "university", and it sends a signal that training is being taken seriously. By co-ordinating training initiatives under one roof, it should be possible to make economies of scale, to eliminate overlaps and make training more responsive to high-level corporate strategy.

More than 1,000 institutions in the US have adopted the label "university", and companies in western Europe and Latin America are following suit. It is therefore becoming increasingly important to agree on the standards that corporate universities should attain.

The Corporate University Awards, run by Corporate University Xchange in New York, and sponsored by the Financial Times, are an attempt to do just that.

The most dramatic corporate events of the past year have removed any suggestion that corporate universities are peripheral.

Jürgen Schrempp, the chief executive of DaimlerChrysler, product of the audacious merger of Germany's Daimler with Chrysler of the US, started a speech in Chicago by asserting the importance of Daimler's corporate university. The university seems to be his main answer to the most common criticism of the deal: it will combine two contrasting and possibly hostile cultures - in that it would be used to inculcate a new and common culture in the two companies.

The merger of Citicorp of the US with Travelers Group is also putting heavy emphasis on the corporate "university" concept. If the deal is to pay off in the long run, both merger partners must successfully sell the products produced by the other:

"cross-selling", a task that has hitherto proved maddeningly difficult when introduced by banks.

Joseph Plumeri, formerly chief executive of Travelers' PFS life insurance subsidiary, and now in charge of the Citibank branch network in the US, intends to use the PFS University, based in Atlanta, to retrain all Citibank branch employees to sell life insurance and investment products. Citigroup's chief executives stress that the venture will be important for the merger's success. Plumeri seems confident the large university will give him a critical competitive advantage in completing the retraining swiftly and successfully.

First Union, the fifth largest bank in the US, has provided a blueprint. Last year, it used First University to retrain all its branch employees in selling investments.

There are 1,600 corporate universities in the US, including 40 per cent of the Fortune 500 companies, and

The judges

Bruce Montgomery, chief executive, Michigan Virtual Automotive College.

Keith Gay, Thomas Weisel Partners, San Francisco.

Keith Williams, director of academic development, Open University, UK.

Jeanne Meister, president, Corporate University Xchange, New York.

John Authors, New York correspondent, Financial Times.

entries for the awards came from as far afield as Venezuela. Large UK companies, such as British Telecommunications, have recently launched universities.

The average operating budget for a corporate university rose from \$13m to \$17m last year, with a quarter of them attempting to minimise the financial burden on their parent organisation by offering courses externally. According to Corporate University Xchange's survey, 15 per cent have



operating budgets of more than \$50m. The average basic remuneration of a corporate university dean, for a sample of 120 mostly large North American corporate universities, is \$145,900.

Several of the largest universities that entered for the awards attempt to be profit centres for their companies, selling courses on the open market.

Technology is another driver. Online education makes it easier and cheaper for companies to provide training for all their employees. "Virtual" corporate universities are gaining in popularity, with 88 per cent using web-based technology.

A further problem employers must contend with is that employees no longer expect a "job for life", but do expect to gain extra skills and qualifications. Corporate universities aspire to offer true degrees, and the best way to do this is in partnership with conventional accredited universities. Several innovative schemes allow employees to earn external qualifications while building relevant skills.

It was against this background that the five categories for the awards were chosen.

An excellent corporate university should:

- Align itself with corporate strategy, and

involve senior management.

- Use technology to provide a seamless environment for learning.
- Develop and implement innovative marketing techniques.
- Build alliances with conventional universities.
- Measure the return on the organisation's investment in education.

The first two categories generated the most interest. Entrants had to provide a dossier of information, and make separate cases for each category. Almost 100 universities entered. These were vetted by Corporate University Xchange, with 25 reaching a semi-final stage.

Four out of the five winners came from the high-technology industry, where the need to keep the workforce up to date with technological changes is most obvious.

Several of the entries that came close to winning showed how corporate universities were being used to meet corporate targets. Defense Acquisition University, educating a US public sector organisation under acute pressure to tighten its efficiency, was one example.

Prudential Insurance of America, the largest mutual insurer in the US, which is preparing to become a publicly quoted company, is also using its university as a

vehicle for cultural change.

Big financial institutions that reached the final stages included Chase Manhattan and Bank of Montreal, and on the industrial side, Siemens and Conoco.

The clearest trend to emerge was the sophistication with which the universities analyse their objectives, and demonstrate to senior management how they have been achieved.

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NEWS FROM CAMPUS

Henley drops full-time MBA programme

Henley Management College in the UK has decided to pull out of the full-time MBA market and is dropping its programme that has been running for the past 18 months at Regent's College, London. Before that the full-time MBA was run at Brunel University, west London.

Instead Henley is running a modular programme in the City of London as well as its part-time programme at Henley. Its bread-and-butter MBA will still be the distance learning version of the programme.

Henley: www.henleymc.ac.uk

Washington backs centre

The Kanan-Flagler business school at the University of North Carolina at Chapel Hill has been given a three-year \$660,000 grant from the US Department of Education to establish a Centre for Business Education and Research (Ciber). There are already 28 Ciber schools across the US.

The centre will focus on 35 activities, including developing programmes for global learning and incorporating sustainable development into business strategies.

Kanan-Flagler: www.bschool.unc.edu

Cash spur for entrepreneurs

Eight teams will compete for more than \$40,000 in awards and prizes this week in an inaugural business plan competition organised at Wharton, at the University of Pennsylvania. More than 350 students participated in the scheme at the outset.

The winning team will receive \$15,000 in cash and a \$10,000 investment in the student team's business, provided by venture

information for News from Campus should be sent to Della Bradshaw, The Financial Times, One Southwark Bridge, London SE1 9HL. Tel: 44 171 873 4673 Fax: 44 171 873 3950

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Participants in both course A and B will also take part in workshops on aspects of personal business skills and a full seminar programme on the Chinese economy, government structure and foreign reserves. For more information and application forms, please contact either the UK National Coordinator or Helmut Pfeiffer.

Application deadline: 31 May 1999.

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Financial Times

THE AWARD WINNERS

Education is their business

TVA University (Tennessee Valley Authority) winner for outstanding business strategy to corporate learning.

TVA, one of the largest electrical utilities in the US, won the prize after a drastic overhaul of its training needs in 1994. The university was established after an audit revealed "disjointed training units, redundancy, little co-ordination or communication, and a general inability to create organisation-wide learning solutions aligned with business goals".

All employees had to learn about TVA's business challenges, its customers, and how it generated revenue. Executives drew up the curriculum, reviewed courses and visited classes. This ensured the university was teaching subjects in line with the company's goals. By requiring line managers to teach courses, the university also ensured that employees took it seriously.

The company demonstrated the cost savings achieved by moving to a single university for all its training. It reduced its trainee information systems from 12 to one, cut training contracts by 47 per cent, and reduced full-time training staff by 29 per cent. Spending on external training was also cut by nearly half.

Like most of the other winners TVAU is big, with 35 locations spread across seven states in the southern US, teaching about 200,000 courses each year.

IDX Institute of Technology (IDX Systems), winner for developing alliances with universities.

IDX is a small software company based in Vermont. To offer a technical curriculum to staff and customers, it set up partnerships with technology providers and

local universities. This involved ensuring that the courses IDX taught itself were approved for credits within the partner university's curriculum.

For example, three courses in programming have been approved for credit in the computer science curriculum at the University of Vermont, while three of the company's instructors have adjunct faculty status at the university. Students at the partner universities can also take courses at IDX. The programme has already encouraged recruitment, generated revenue and allowed the company to shape the curriculum of its partner universities.

Its partners include the University of Phoenix, which offers courses transferable to a chain of campuses across the country, and three local institutions: Champlain College, the University of Vermont and Norwich University.

Dell Learning (Dell Computer), winner for measuring the value of investment in education.

Dell narrowly beat First University in this category, which attracted the fewest entries. Measuring the value of education is critical, but also controversial and difficult.

Dell Computer is a direct selling organisation. Sales is an easier discipline to benchmark than many others and Dell Learning, set up in 1995, has developed some innovative measurement systems. Apart from sales, it also measures quality and productivity.

Dell won for conducting a series of cost-benefit tests on the return on investment from Dell Learning courses. The total cost of training 101 sales representatives was

\$41,308; between them they realised an incremental profit of \$279,265. This was equivalent to a return on investment of 676 per cent.

A separate study found that a "situational sales negotiation" course led to an increase in volume sales of 61.56 per cent.

IBM Corporate University (IBM), winner for using technology for a continuous learning environment.

IBM's corporate university is one of the largest in the world offering more than 10,000 internal courses. It is also a virtual institution, which despite its lack of bricks and mortar employs 3,400 professionals in 55 countries. It claims that its use of distance learning will create cost savings of more than \$100m this year as well as cutting disruption to employees' personal and professional lives.

IBM listed 24 separate online programmes in its entry. The IBM Global Campus offers more than 1,000 separate courses on the web.

Current offerings include GoingGlobal, which offers a web-based guide to doing business in 57 countries. Video JukeBox offers the possibility to hold "live" meetings using audio and video. Lengthy clips of recent presentations are included. SalesCompass offers just-in-time training for sales representatives. If they need up-to-the-minute technical data on the global chemicals industry, it is available from this site. One Voice, a distance education service for new recruits, lays out the company philosophy.

The university also offers educational CDs, and services allowing people to publish their own presentations on the web. A more advanced offering is distance

education for employees in collaboration with New York University and Pace University, both in Manhattan.

ST University (ST Microelectronics), winner for innovative marketing techniques.

ST Microelectronics, the only winner from outside the US, is a French-based manufacturer of semiconductors. It launched ST University to keep managers in different countries in tune, and to keep all employees up to date with technological developments. It won the prize for the imaginative way it has extended the university concept to involve its business partners and suppliers, to generate new business, and to raise its standing with customers and shareholders.

Its marketing plan included promotion forms, web advertising and conferences for employees, and regular rewards for the managers who best supported the university. Videos and CD-Roms, such as its "Silica-polls" introduction to the silicon chip industry, are distributed both internally and to suppliers.

It has extended its university to all links in the company's supply chain, offering business partners the chance to participate in courses and set their own educational benchmarks. This has generated new business. Courses on the chip industry are on offer to financial analysts. More than 300 company employees, trained via the university, are on offer as ambassadors to be used as experts in external events.

Highly Commended: First University (First Union), Defense Acquisition University (Department of Defense), Bain Virtual University (Bain & Company).

INSIDE TRACK

SCIENCE BIOTECH COMPANIES

Europe expands on the gene map

A new generation of companies is setting out to challenge the US dominance of the sector, reports Clive Cookson

From gene hunting in Iceland to cancer research in Germany and nitric oxide drug development on the French Riviera, a new generation of companies is emerging in Europe to challenge US dominance of biotechnology.

Twenty-six of the most ambitious unquoted companies presented their scientific credentials and business plans at the European Life Sciences Conference in Amsterdam last week. Most have set up within the past three years and all are aiming eventually for stock market flotation.

Although there is great diversity among the companies, they do fall into recognisable groups with common features. The largest group is working in the broad field known as genomics - discovering how genes work together with environmental factors to cause disease, and using this genetic information to develop new treatments.

European newcomers are trying to break into a field dominated by the large genomics companies, such as Millennium and Inve in the US and France's Genet, which have been working for five years or more on large-scale gene mapping and sequencing.

Trevor Nicholls, chief executive of Oxagen, says new entrants like his UK-based company can compete with the "technology-driven" US genomics industry through a double strategy. The first is to concentrate on specific genes and diseases, rather than tackling the whole human genome.

Second, he says, "European companies have to focus on population-based studies, given Europe's favourable social and academic climate. Europe's healthcare systems should facilitate this, as socialised

healthcare systems tend to have more comprehensive records on patients."

Oxagen, a spin-out from the Wellcome Centre for Human Genetics in Oxford, discovers disease genes by studying families, mainly in the UK. Dr Nicholls says a family-based approach would be far less rewarding in the US because the American healthcare system and society are more fragmented.

Gemini, another UK company, is building a database of genetic and lifestyle information on twins, as a vehicle for teasing out the role of specific genes in causing disease. Non-identical twins normally share a common upbringing, so the environmental influences acting on their genetic differences are less than for normal

The entire biotech sector in Europe is only about one quarter the size of its US counterpart

brothers and sisters.

The use of twins is one strategy for reducing the background statistical "noise" and therefore improving the chance of picking up a significant association between genetic mutations and disease. Another, which is being used most spectacularly by deCode Genetics of Iceland, is to focus on an isolated population in which genetic homogeneity makes it easier to find associations.

deCode is using genetic, health and genealogical records of the entire Icelandic population (270,000 people) to find disease-related genes and to build up a commercial database. It was

probably the best-known company at the Amsterdam conference, both because it has a \$200m (£125m) gene discovery agreement with Roche - one of the largest collaborations in the biotech industry - and because its database plan has aroused furious objections from a minority of Icelanders who say it would violate their privacy and human rights.

According to Hannes Smarason, deCode's chief business officer, the controversy is beginning to die down, now that the Icelandic parliament has authorised the creation of the database. The "publicity has given us good name recognition," he concedes, "though much of it was superficial and sensational," and the issues of privacy and consent are fundamentally the same for deCode as those facing other companies carrying out family-based genetic studies, such as Oxagen and Gemini.

But Pascal Brandys, chairman of Genet, believes the wave of new genomics companies is passing. "Everyone is asking what is going to be the next big wave in biotechnology after genomics, but there is no clear trend or consensus about the answer," says Mr Brandys, who received the conference's annual Outstanding Service to Biotechnology award.

He mentions the central nervous system (CNS) as a promising field. "CNS is going to overtake cardiovascular drugs and become by far the largest market for the pharmaceutical industry," Mr Brandys says. "It is a field in which the pharmaceutical companies will need help from biotech."

One company set up to meet this need is CeNeS, based in Cambridge. What distinguishes CeNeS, says Martyn Collett, commercial director, "is that we have no scientific founder, which means that we are not wedded to any one scientific approach. We are free of the dogma that is attached to

Biotech companies: clusters of influence



Source: Ernst & Young

many biotech companies."

CeNeS collaborates with whichever university research groups fit best with its business model: to develop diagnostic products and treatments for disorders of the CNS including schizophrenia, pain, Alzheimer's and Parkinson's disease. The company's main scientific collaborations so far are with Cambridge University and King's College, London.

Cancer is another field that is poorly served by the established pharmaceutical industry - known as "big pharma" in the biotech sector - and several start-up companies are offering new approaches here.

Cyclacel, based in Dundee,

is a company with a big-name founding scientist: David Lane of Dundee University, who discovered p53, the best known anti-cancer gene. Cyclacel develops drugs to prevent tumour cells proliferating, by intervening in the cell cycle that is regulated by genes similar to p53. Two German companies based in the Munich area, Micromet and Willex, are developing drugs to destroy the metastatic cancer cells that are responsible for tumours spreading.

But a few biotech companies at the Amsterdam conference (sponsored by Ernst & Young and Atlas Ventures) are in a field of their own. For example NiCox,

based on the Sophia Antipolis science park near Nice in the south of France, is the only European company specialising in drugs that release nitric oxide - a gas recently discovered to play a powerful biological role. NiCox has one direct competitor in the US, Massachusetts-based NitroMed.

As the annual Ernst & Young survey showed last week, the entire biotech sector in Europe is still only about one quarter the size of its US counterpart but it is growing twice as fast. If the latest generation of start-ups lives up to its promise, the European dream of transatlantic parity in life sciences could come true.



LUCY KELLAWAY

Just the job for a striker

Work is no longer dull. The message for the millennium is that it's one big football game

In the old days work was a bitch. You toiled away in noisy factories. You were treated as a commodity. Your boss was a bellowing bully. You clocked in and out. Your task was repetitive and dull, dull, dull.

But in these new, improved times, work is fun. fun, fun. It is one great big enjoyable team game, in which happy knowledge workers face challenges and develop their core transferable skills.

If you are reading this on a crowded train, fretting about the stressful tasks ahead, you may have difficulty buying in (as we say in the modern world of work) to this notion.

But the above vision of the past and future is official. It is what millions of visitors will see when they visit the Millennium Dome being built in London. The Work Zone will be divided into rooms, the first representing the past - noisy, oppressive, etc. etc. - and the next the present/future. This room will be dominated not by an open-plan office space, but by the world's biggest game of table football.

Doesn't sound quite like your workplace? That's because you are too literal-minded. The game is not meant to remind you of how you would rather be playing football than working: it symbolises the importance of teamwork. In the Work Zone there will be many symbols, most either inaccurate or unfortunate.

Take the outsize personal organiser, which is bigger than you are. To me, this neatly suggests we are becoming slaves to our electronic "helpers". Or take the giant paper shredder, which is meant to indicate that paper is becoming a thing of the past. This does not seem apt, given that technology has so far made us more, rather than less, attached to paper.

Work has always been good and bad in bits. It has never been particularly nice to be at the bottom of the pile; fun, challenge and transferable skills are as alien now as they always were. It is a moot point whether it is better to be a modern worker at McDonald's (sponsor of the Dome) or a factory worker 40 years ago. In some ways humble working life may have deteriorated - at least in the old days there was some camaraderie, which I see little sign of at the local McDonald's as the staff slam another couple of Happy Meals on the counter.

A colleague has sent some useful office phrases from the US, which tell me more about the new world of work than any number of table football games. "Thank you. We're all refreshed and challenged by your unique point of view." "I'm out of my mind, but feel free to leave a message." "My toys!

My toys! I can't do this job without my toys." And (my favourite): "I don't work here. I'm a consultant."

What does "culture" mean at work? I used to think culture was about the way we do things-round here. How wrong I was. This is how Fons Trompenaars, a management guru, described it at an Institute of Personnel and Development conference.

"Culture is a dynamic process of solving human problems... In the workplace this means balancing the competition that exists between universalism and particularism, leading to the adoption of central guidelines capable of local adaptations and discretion." So now we know.

Every writer of self-help books knows that when you've come up with a winner, you milk it. Think of John Gray, who has churned out endless variations since the rip-roaring success of *Men Are From Mars, Women Are From Venus*. Yvonne Sarch has tried the same trick with her book, *How to be Headhunted*. Next came *How to be Headhunted Across Europe*, and now she has come up with *How to be Headhunted Again and Again*.

I think she has finally lost the plot. Getting headhunted again and again is my idea of perfect hell: surely the point is to find a job that you like enough to stay put.

A couple of weeks ago I wrote about awards, in particular about how best to compose your face when you find out you haven't won one. But I now see I should have focused on teams rather than individuals. I have been reading about ICI Petrochemicals' very own Oscars ceremony in Horizons, its must-read in-house mag. Here are pictures of smiling teams winning prizes for such things as Empowered Teamwork, Rigorous use of Tools and Techniques, Learning from Others and Sharing the Learning. Surely there is an award missing in this long list of worthy achievements? Where is the team Table Football award?

lucy.kellaway@ft.com

INFORMATION TECHNOLOGY WEB NEWSPAPERS

Authentic addition to online editions

Have your favourite parts of a newspaper delivered electronically in traditional style, says Avi Machlis

As more newspapers publish online editions, many are struggling to recreate the authentic newspaper "experience" that often gets lost when bold headlines become bland blue hypertext links.

Yet at the same time, increasing numbers of readers turning to the internet for free news have left publishers worried about the potential erosion of revenues from print editions.

One possible solution to both quandaries is being offered by InfoPager Technologies, a small Israeli company that has created a publishing technique for a subscription cybernewspaper that is user-friendly for newspapers and readers alike. It even looks like a newspaper, not a web site - and even makes a familiar crinkly sound when pages are turned. The company may also spark a controversy with a new product that downloads and reformats web newspapers without the consent of publishers.

"Our bet is that people coming on the web now are less technologically oriented," says Drew Tick, InfoPager chief executive. "They would much rather read a newspaper that looks like this and print it out than click through a web edition."

After a user has installed InfoPager's software and subscribed, a client newspaper can be downloaded in

about five minutes on a 28,800 bit modem. With a few mouse clicks the edition can be personalised - dropping any unwanted sections - and delivered at a certain time daily. The newspaper is laid out in traditional style and, because it is downloaded, pages are turned instantly without the wait

typical of web newspapers.

InfoPager is also trying to solve cultural problems. Japanese newspapers can be reformatted to appear in the standard vertical *tatayaki* format, which cannot be supported by standard HTML (hypertext mark-up language) technology.

For newspapers, InfoPager does not interfere with the working environment since it hooks directly into the pre-press system. "The entire layout of the newspaper is done automatically," says Mr Tick. "That means on the production side there is no extra work."

In addition, unlike abridged newspaper web sites, InfoPager editions carry complete contents of the print newspaper, making it eligible for inclusion in circulation figures according to Audit Bureau of Circulation, the international agency that verifies circulation figures for advertisers. And advertisers can push their products with the latest in multimedia.

So far, only Reuters and

the Jerusalem Post, an English-language Israeli daily, are offering subscribers an InfoPager edition. After investing heavily in their internet editions, some newspapers are still reluctant to invest between \$50,000 and \$250,000 for the one-off customisation, licensing and a share of subscription revenues.

'It looks like a newspaper - not a web site - and even makes a familiar crinkly sound when pages are turned'

But Steve Dienna, global segment executive for publishing at International Business Machines, who is helping InfoPager penetrate markets, says this is because

InfoPager is ahead of its time. "Two years ago, the subscription model was solid, but since then, more and more people have been getting content for free on the web," says Mr Dienna. "The swing of the pendulum is going back to the subscription model, but beyond just news, readers will want profiled information for the end user. People will be willing to pay for that."

InfoPager hopes to hammer this point home with a product it will launch next month called *newZPrint*. A free download of the beta version (www.newzprint.com) allows users to pull excerpts of selected internet news sites in newspaper format without the newspaper's consent. Mr Tick insists this is legal: "We are not carrying any content with our product. End user licences allow users to download information for personal use." *newZPrint* may turn out to be a clever marketing scheme, as it reminds publishers of the internet threat. "Let's not forget," says Mr Tick, "newspapers are losing money on the web."



Read all about it: The Jerusalem Post offers an InfoPager edition

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THE ARTS

OPENINGS



NEW YORK

In what must rank as one of the wonders of modern concert planning, two new works by Sofia Gubaidulina (left) are being played in New York on Thursday. If you're really smart, you'll pass up the chance to hear the New York Philharmonic giving the first performance of her Concerto for Two Violas, because you can catch repeat performances at Avery Fisher Hall on the following two nights. That leaves you free on Thursday to hear the NYPK Symphony Orchestra performing the Concerto for Koto and Zhen at Carnegie Hall.

On Thursday New York City Ballet opens the second part of its Golden Jubilee season at the State Theatre with its staging of Peter Martin's *Swan Lake*. This long and important season will provide a wonderful survey of NYC's 50 glorious years. Martin McDonagh's drama *The Lonesome West* is in previews at Broadway's Lyceum Theatre, in a staging directed, as in London, by Garry Hynes. The opening night is tomorrow. *Ring Round the Moon* is an adaptation by Christopher Fry of Jean Anouilh's 1950 comedy. Starring Toby Stephens, and currently in previews, it opens at the Belasco Theatre on Wednesday.

LONDON
The Barbican's extensive St. Petersburg season begins on Friday with an exhibition highlighting the remarkable collection of modern art held by the State Russian Museum. It features major works by Kandinsky, Chagall, Goncharova, Malevich (above), Popova and Rodchenko, none of which have been previously shown outside Russia.

Also at the Barbican, Maxim Vengerov gives the UK premiere of Rodion Shchedrin's Violin Concerto on Thursday, accompanied by the London Symphony Orchestra under Mstislav Rostropovich.

PARIS
Rameau's *Platée*, long absent from the Paris stage, returns to the Palais Garnier on Wednesday in a new production conducted by Marc Minkowski, choreographed by Laura Scozzi and produced by Laurent Pelly. Jean-Paul Fouchécourt and Tracey Welborn give alternate performances as the ugly swamp-nymph who fancies a god. The other highlight of the week is Bryn Terfel's recital tomorrow night, also at the Palais Garnier.

GENEVA
The first night of *Das Rheingold* on Friday marks the start of a new *Ring* at the Grand Théâtre. Armin Jordan conducts a staging by Patrice Chaurand and Moshé Lelander, and the cast includes Albert Dohmen, se Wotan and Sally Burgess as Fricka.

BEIJING
London's Royal Ballet continues its Far East tour this week, arriving in China on Wednesday. Two gala programmes at the Exhibition Centre Theatre are succeeded by a short run of *Romeo and Juliet*, at the same venue from Friday. From the capital, the company travels to Shanghai, where the repertory will include Ashton's *La Fille mal Gardée*.

Serenaded by the Girls Choir of Harlem and blessed by Rudolph Giuliani, the mayor of New York, Christie's opened its new auction house at the Rockefeller Center in the very heart of Manhattan.

Friday's launch was a momentous occasion, both in reality and implication. Instead of the cramped surroundings in the previous saleroom in Park Avenue, art collectors, dealers and the plain curious now enter through a lobby enriched by a vast Sol LeWitt mural into a world of spacious galleries, bookshops and cafés.

On the walls of the largest, airiest gallery are the finest works of art - a late Van Gogh valued at more than \$20m; one of Jasper Johns' paintings of the American flag that might fetch \$10m; Monets and Matisse; Picassos and Warhols, even a Damien Hirst spot painting.

Galleries are arrayed like a museum, with exquisite 18th-century furniture, rare books, scientific instruments and Old Masters collected by Rothschilds, a cornucopia of expensive art and antiques, all to be knocked out to new homes by Christie's in the next month or so.

In the basement is the vast storeroom, objects sent for auction gathered and on view to potential buyers. No more need for trucks to bring in the treasures daily from Long Island, with the heavy extra cost and irritating breakages.

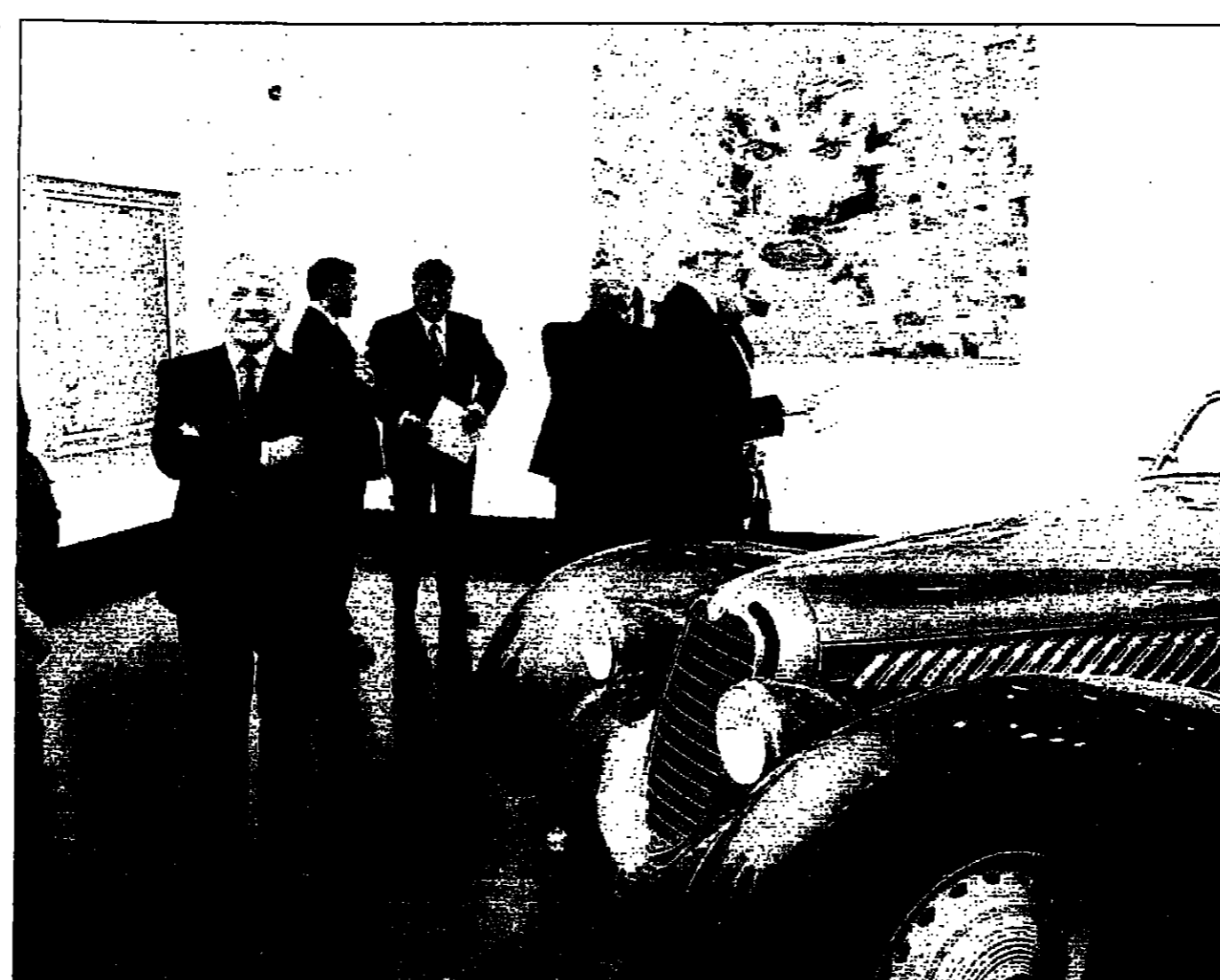
Climbing up a grand staircase that transforms the building into some stately ocean liner, you enter the main saleroom, doubled in size to seat more than 1,000, but still with the auctioneer's podium designed by Chippendale. Here is a distinguished but state of the art setting for the dispersal of costly works of art.

That at least is what Christie's fervently hopes. The move to the Rockefeller Center is costing a fortune. It is tight lipped on the figures; since its acquisition last year by François Pinault, the French shopkeeper, Christie's has become very secretive.

But taking over this former garage at such an exclusive address must involve at least a \$50m investment, although Christie's hotly disputes that it is also paying as much as \$12m a year in rent. Instead, it claims it has already attracted important new objects for sale because it can offer vendors the most sophisticated arena in the world - at least until September.

A few blocks across Manhattan on York Avenue, Sotheby's is rushing to complete its new headquarters. It is raising its building to 10 floors in a \$130m-plus development, making it much taller than Christie's. The top six floors will open in the autumn, with the main auction room, capable of seating 2,000, on the seventh.

The tenth floor will be kept free for the display of the greatest masterpieces, in theory the most exclusive exhibition area in



Tight lipped: Christie's has become more secretive since its acquisition by François Pinault

Christie's ups the stakes

A new auction house is the latest salvo fired in the battle with Sotheby's, writes Antony Thornicroft

New York. All the floors will be linked by escalators and, like Christie's, all the works of art for sale will now be stocked *in situ*. The sixth floor, for example, will house Old Masters and 19th-century paintings, with the specialists living cheek by jowl with the art so that prospective buyers can be walked through up-coming auctions.

Most of the building will be clad in glass. By the end of 2000, Sotheby's expects this shining cube to be a beacon, proclaiming its regained dominance as the world's leading fine art auctioneer.

The competition between the two companies is bitter. In recent years Christie's has outsold Sotheby's by a whisker after decades as the junior partner. The two companies battle for advantage like old tennis pros. Christie's scored a point, and some valuable business, by opening its new saleroom first. But Sotheby's evened the score by securing the collection of the late

Jock Whitney to boost its auctions in May, the key selling month in New York. Among the art is a Cézanne still life and a rare Seurat, both estimated to make up to \$35m, and Whitney should add at least \$120m to Sotheby's turnover this year. In

Christie's and Sotheby's battle for advantage like old tennis pros

1998 its total sales were \$1.9bn. The main casualty of the battle raging in New York is thousands of miles away - London. Since its acquisition by Alf Taubman, the Detroit shopping mall tycoon, Sotheby's has become New York based. Now Christie's seems to be going the same way. How much longer will the top management remain in St James's?

London is losing its old dominance of the international art market partly because irritating taxes imposed by the EU in the

name of harmonisation are putting extra burdens on the London art trade but mainly because the big buyers and sellers are now American. The auction houses are truly global and jump to the commands of their customers.

What makes London's position

even more parlous is that Christie's and Sotheby's are also investing heavily in Paris for the long-delayed moment when the French government opens its auction business to foreigners. Both salerooms have acquired grandiose premises in Paris, and although Sotheby's cannot wield the gavel there yet, on June 2 it is co-operating with the collection of the late Charles de Belisle for upwards of \$16m.

But if London is a loser from

the New York experiment there is also a danger that the auction houses are investing in the past. In July Sotheby's holds its first auctions on the internet; Christie's follows in September. Soon transactions through the net, of objects valued at less than \$10,000, could account for a third of turnover. DeDe Brooks, Sotheby's president, admits that eventually fewer objects will be passing through its spacious new rooms.

Perhaps it will not matter. Both salerooms are diversifying rapidly. Auctions of top quality items will still bring in much of the profit, but their new Manhattan flagships will also be educational centres, galleries where art is sold off the wall, exhibition spaces for important visiting shows, shops, and meeting places for collectors and their advisers.

They will ensure that New York is the place where art and commerce consummate their inevitable if sometimes inglorious relationship.

MUSIC IN NEW YORK ZIMMERMANN'S REQUIEM

Multi-layered ode to chaos

It was the sort of cultural event New Yorkers love - an event fraught with extra-curricular meaning. Thirty years after its momentous German premiere, Bernd Alois Zimmermann's *Requiem for a Young Poet* was receiving its first performance in America.

It happened last Tuesday within the august confines of Carnegie Hall. The stage groaned with 350 performers, plus additional participants and electronic contraptions scattered around the house. The musicians, imported from Freiburg and environs, were led by none less than Michael Gielen, a champion of the intellectual avant-garde who had introduced the piece to the world back in 1969.

Ah, prestige. Ah, daring novelty. Ah, glamour. Ah, the safety of a big dramatic opus by a celebrated Modernist long dead. Ah, the attraction of a multi-layered ode to chaos and suicide written by a composer who actually committed suicide nine months after completing the ode.

The hyper-massive *Requiem for a Young Poet* is more than a symphony, more than a cantata, more than an oratorio. Zimmermann, born in 1918, labelled it a "lingual" and enlisted a complex catalogue of executants: two speakers, two sopranos, a baritone, motley instrumental soloists, three choirs, assorted electronic devices, an orchestra lacking the top strings, a jazz combo and organ.

For texts, he embraced an eclectic mix: documentary speeches as recorded by Stalin, Alexander Dubček, Mao Tse Tung, Pope John XXIII and Hitler, for starters, plus philosophical utterances of Ludwig Wittgenstein, Albert Camus and James Joyce, not to mention three central poets, all young, who chose to end their own lives - Vladimir

Mayakovsky, Sergei Esenin and Konrad Bayer. For instantly recognisable quotations, Zimmermann turned to Wagner, Beethoven, the Catholic liturgy and, oh yes, The Beatles.

The table of contents for this bizarre behemoth - which also served, for most symbolic purposes, as Zimmermann's own requiem - is staggering. Even more staggering, however, is the fact that the composer managed to compress all his convoluted ideas, all his wide-ranging allusions, all his tortured and

tortuous socio-political-aesthetic meanderings into a polemic that lasts little over an hour. The result is exhausting. Also frustrating.

Zimmermann predicated his cry of despair on a collage technique. Sound patterns are carefully piled on sound patterns. Texts are intricately piled on texts. Unrelated layers of meaning are superimposed upon each other.

There is reasonable dynamic logic here, and a clear-cut plan of exposition. The composer knew what he wanted to do. Unfortunately, he left the listener far behind. The price of complexity in this case is incoherence. The innocent ear refuses to unravel Zimmermann's verbal knots. It is impossible, most of the time, to identify the specific voices, the words, even the languages.

Given the narrative overload, counterpoint becomes counter-productive. One still can appreciate the clever juxtapositions of rhythms and textures. One can savour the gutsy cries and rumbles and their careful serial application. But, without a programme, one cannot fathom the intended context, and only guess at the inherent expressive association. In this sprawl, vagary becomes its own enemy.

Assertions of psychological pathos notwithstanding, the *Requiem for a Young Poet* emerges as a fussy abstraction at best, a compendium of trendy clichés at worst. With the passage of time, Zimmermann's agonised valedictory seems to deal primarily in obfuscation, much ado about much ado.

The gargantuan forces - the Southwest Radio Symphony of Freiburg, the West German Radio Choir of Cologne, the Southwest Radio Choir of Stuttgart, the Radio Choir of Berlin, and the European Choir Academy - mustered mighty roars and delicate whispers, as needed, under Gielen's authoritative and appreciative leadership. They sustained a certain degree of tension, too, against the odds. The assorted soloists, including sopranos Isolde Siebert and Renate Behle, baritone Richard Salter and narrators Michael Rotschopf and Bernhard Schür - performed their complex chores with comparably stout virtuosity. Alas, it was not enough.

Martin Bernheimer

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
La La La Human Steps: the Canadian dance company in "Salt"; Apr 26, 27, 28

EXHIBITIONS
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
David Salle: major survey of the New York-based contemporary artist, comprising around 40 canvases and featuring the multimedia diptychs and triptychs that made his name in the 1980s; to Jun 13, then travelling to Vienna and Turin

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-673 2121
The Floating World: Japanese scroll paintings from the Komamoto Museum of Art; to Jun 13

Tel: 31-20-551 8911
Ottello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Gröber, with a cast led by Vladimir Bogachov; Apr 28; May 1

BALTIMORE
OPERA
Baltimore Opera Company, Lyric Opera House
Tel: 1-410-625 1800
www.baltimoreopera.com
Andrea Chenier; by Giordano. Conducted by Marco Armiliato in a staging by Bernard Uzan; Apr 28, 30

BEIJING
EXHIBITION
Exhibition Centre Theatre
● The Royal Ballet: the British company presents a Gala Programme, with the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 28, 29
● The Royal Ballet: Romeo and Juliet, in Kenneth MacMillan's staging with designs by Nicholas Georgiadis. With the Orchestra of the National Ballet of China conducted by Andrea Quinn; Apr 30; May 1

BONN
EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
Composition on the table: interactive musical installation by

Toshio Iwai; to Jun 12

CHICAGO
CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Nikhil Simphony Orchestra: conducted by Charles Dutoit in works by Gubaidulina, Sibelius and Prokofiev, with violin soloist Sarah Chang; Apr 27

EDINBURGH
EXHIBITION
Royal Scottish Academy
Tel: 44-131-624 6200
173rd Annual Exhibition: painting, sculpture and architecture, including works by three Academicians who died in 1998 - Alberto Morrocco, David McClure and James McIntosh Patrick; to Jun 11

FLORENCE
OPERA
Teatro Comunale
Tel: 39-055-271158
www.teatrocomunale.com
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 27, 29

HOUSTON
OPERA
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787

www.hgo.com
Resurrection: world premiere of Ted Machover's new opera set in Tsarist Russia, with a libretto by Laura Harrington. Patrick Summers conducts a staging by Braham Murray, with designs by Simon Higlett; Apr 28; May 1

LONDON
CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● Ariadne auf Naxos: by R. Strauss. Concert performance conducted by Richard Hickox, with a cast including soprano Christine Brewer. The programme is completed by the composer's music for "Le Bourgeois Gentilhomme"; Apr 27
● English Chamber Orchestra: conducted by Paul Goodwin in works by Ravel and Mozart, and in the world premiere of a new work by Kaldnura, with shakuhachi soloist Richard Stagg; Apr 28
● London Symphony Orchestra: conducted by Mstislav Rostropovich in works by Tchaikovsky, Prokofiev and Shchedrin, with violin soloist Maxim Vengerov; Apr 29

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 27, 29
● Semestre: by Handel. Rosemary Joshua sings the title role in Robert Carsen's production;

conducted by Harry Bicket; Apr 28, 30

Sadler's Wells
Tel: 44-171-963 8000
The Royal Opera: Paul Bunyan, by Benjamin Britten. Staging by Francesca Zambello, conducted by Richard Hickox (replaced by Chris Willis on Apr 27); Apr 26, 27, 28, 29, 30; May 1

MADRID
EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Kurt Schwitters and the Spirit of Utopia: paintings, drawings, collages and photographs by the German avant-garde artist, from the period 1918-1947. Includes loans from the Sprengel Museum in Hanover and private collections, including that made by artist's son; to Jun 27

MUNICH
CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Sibelius and Allan Pettersson; Apr 30
● Prague Symphony: conducted by Leos Svarovsky in works by Rimsky-Korsakov, Chopin and Ravel, with piano soloist Rudolf Buchbinder; Apr 28

NAPLES
OPERA
Teatro di San Carlo
Tel: 39-081-797 2331

Il Barbiere di Siviglia: by Rossini. Gabriele Ferro conducts a staging by Filippo Crivelli, with a cast led by Leo Nucci; Apr 28, 30

PARIS
EXHIBITION
Grand Palais
Tel: 33-1-4473 1730
Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézanne, Pissarro, Monet and Renoir as well as to Van Gogh, who famously spent the last weeks of his life with Gachet at Auvers-sur-Oise; to Apr 26

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen; Apr 29

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
www.opera-de-paris.fr
Platée: by Jean-Philippe Rameau. Conducted by Marc Minkowski in a staging by Laurent Pelly; Apr 28, 29, 30

ROME
EXHIBITION
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Algarbi: The Other Face of the

Baroque. First major exhibition devoted to Bernini's great rival, the Bolognese artist Alessandro Algardi. Includes 66 sculptures in bronze, terracotta and marble, and 47 drawings; to Apr 30

VIENNA
CONCERT
Konzerthaus
Tel: 43-1-5870 5040
Vienna Radio Symphony Orchestra: conducted by Ulf Schirmer in a concert performance of J. Strauss's Der Lustige Krieg; Apr 29

TV AND RADIO
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BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (463m)

● **EUROPEAN CABLE AND SATELLITE BUSINESS TV**
● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline* with Lou Dobbs
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05.07; 06.07; 07.07; 08.20; 09.20; 10.20; 11.20; 11.32; 12.20; 13.20; 14.20.

At 08.20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS



MARTIN WOLF

Back to the future

The pessimistic forecasts of last autumn failed to appreciate that the UK economy has returned to the stability of the postwar era

Last autumn, many thought the UK economy was about to tumble into a deep recession. It now appears those forebodings were wrong. If so, the UK will have enjoyed something it has not experienced for three decades – an expansionary party that did not end in tears.

The chief reason for last year's pessimism was the collapse in business confidence. In the last quarter of 1998 replies to the Confederation of British Industry's confidence survey were gloomier than in 1990 and almost as depressed as in the darkest days of 1980 and 1974.

The UK suffered serious recessions on those three previous occasions. It was not unreasonable therefore to fear another was on the way. Business pessimism is, after all, a self-fulfilling prophecy. Yet the most important reason for the pessimism, apart from the turmoil triggered by Russia's default, must have been previous experience. A strong economic expansion had ended in lamentation three times since 1970. It had become difficult to believe things could be different.

In the strip cartoon Peanuts, Charlie Brown is often shown trying to kick a ball held by his friend, Lucy. Every time he runs up to kick, she takes the ball away, whereupon he falls backwards, painfully. Charlie Brown never learns; British business has.

Between the end of the second world war and the early 1970s, UK economic performance was quite different from what business now expects. Growth recessions – when the rate of growth falls below the long-run trend – were common. But even one quarter with year-on-year

negative economic growth was rare (see chart). The UK enjoys a chance of returning to the stable growth of that vanished golden age. But a chance is not a certainty. Among the obstacles to seizing it is the inability of business to believe it. The prompt action of the Bank of England's monetary policy committee in cutting the base rate of interest by 225 basis points from last October may succeed in ending such pessimism.

In his magisterial study of recessions, published last year, the late Christopher Dow brought out how different things can be. Dow identified five "major recessions" in the UK economy since 1920: 1920-21; 1929-32; 1974-1975; 1979-1982; and 1989-91. In each case, bar one, output at its trough was more than 10 per cent below its trend level. The exception was 1973-75, when output was "only" some 8 per cent below trend. Strikingly, these recessions all fell into one of two periods: the inter-war years and then after 1973.

Low inflation means the second of those long periods of instability may now be over. Dow argues that there are two possible causes of a

big recession: a negative external economic shock; or a domestic inflationary boom. Each of the three big recessions since 1970 reflected the combination of these two causes, with excessive domestic demand particularly important in the run up to 1973-75 and 1989-91.

What made excess demand especially significant in those years was the speed with which it was translated into high inflation: between the Korean war boom and 1970, UK retail price inflation rarely exceeded 5 per cent. But it started to soar in the early 1970s, reaching 27 per cent in 1975, then 22 per cent in 1980 and 11 per cent in 1982. The need to control each of these (successively lower) spikes in inflation largely explains the three deep recessions.

What is different this time is that there is no longer any such need. Inflationary pressure, while present in 1997 and 1998, has been modest by the standards of the past three decades. That, in turn, is why the MPC was able to respond to signs of a slowdown with such alacrity. It appears that the UK economy managed to grow 0.1 per cent in the last quarter of 1998 and the

first quarter of this year. Renewed expansion is now probable. If this does prove to be the case, this will be a growth recession, similar to those of the 1950s and 1960s.

In its latest World Economic Outlook, the International Monetary Fund expects just that: the economy is forecast to expand by 0.7 per cent this year and 2.1 per cent in 2000. This is a modest downgrading of its forecast of last December, which was for growth of 0.9 per cent this year. The WEO also forecasts inflation at close to the government's target rate of 2.5 per cent.

At turning points, forecasters tend to differ. Some argue that inflation is set to fall below target. Goldman Sachs, for example, expects the inflation target to be undershot by 0.5 percentage points next year, with base rate falling to 4.5 per cent. Others are more optimistic about the economy (or pessimistic about inflation): Morgan Stanley forecasts no undershoot of inflation and base rate at 6 per cent this summer and 6 per cent at the end of 2000.

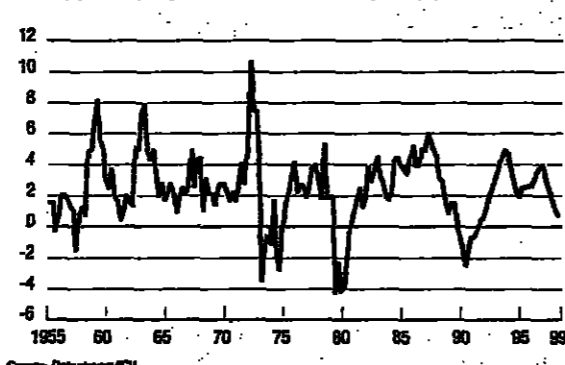
Such divergences fall well within any reasonable margin of error in forecasting. What matters far more than forecasting accuracy (which is largely a matter of luck) is whether policymakers are in a position to react to news, as it arrives. What makes the present state of the UK economy encouraging is that they can do just that.

No doubt, the MPC will make mistakes. But the central point is that the past three decades of extreme economic instability should, with luck, remain in the past. This does not mean there are no big risks: an inflationary decline in sterling is one; a deep recession in the US triggered by an equity market collapse is another. But there is an excellent chance that cycles will once again be the modest events of the 25 years after the second world war. Now all people need to do is believe it.

* Christopher Dow, *Major Recessions: Britain and the World, 1920-1998* (Oxford University Press, 1998) Martin.Wolf@ft.com

Memories of recessions past

Quarterly year-on-year growth of UK GDP at constant prices (%)



Source: Datastream/FT

LETTERS TO THE EDITOR

Corporate US supports China's WTO accession

From Mr Sy Sternberg.

Sir, The public policy debate that has surrounded Chinese Premier Zhu Rongji's visit to the US has raised legitimate questions about China's intentions on how the US should interact with the world's most populous nation.

Given the seriousness of the issues regarding US national security, Asia-Pacific stability, and human rights and religious freedom in China, it is understandable that reasonable and responsible voices have questioned the basis of US-China relations. Some have suggested that these concerns are sufficient reason not to engage China on other fronts, nor to proceed with China's WTO accession.

I believe this is a false choice. Few business decisions or decisions in one's

life are black and white and I believe leaders in the business community and the American public will reject this "either/or" mindset. The real choices confronting the US and China today are complex and nuanced.

The common ground that has been achieved on economic and commercial issues with China should not be thwarted or held hostage to other important but unresolved issues.

In fact, moving forward in areas where both sides can and do agree might well improve the chances of success on other issues where agreement has not yet been achieved.

The recently announced progress on China's WTO accession represents an historic breakthrough in US-China economic and commercial relations. There is a

certain irony that this progress has occurred at a critical juncture in our relations with China. Nonetheless, the agreement demonstrates the determination and vision of the negotiators on both sides.

For China, this agreement will advance its economic development and will benefit Chinese consumers with lower prices and a wide array of services from world class companies. For the US, the export potential to 1.2bn people will finally be realised.

The most immediate goal of the president and Premier Zhu must be to resolve the remaining issues and to quickly press forward to complete the China WTO accession process. Congress in turn must recognise the value of this agreement and act to grant China perma-

nent Normal Trade Relations status. We in the business community, therefore, are committed to an active public campaign to support the president and Congress in these efforts.

We must maintain the current momentum and direct it toward the creation of broad public support for bringing China within the rules of the world trading system.

This is the time for responsible leaders in the business community to ensure that a broad coalition of American exporters, farmers and workers makes known its strong support for this goal.

Sy Sternberg, CLU, chairman, president and chief executive officer, New York Life Insurance Company, 51 Madison Avenue, New York NY 10018, US

Weak link between the euro and war

From R.W. Leon.

Sir, There were two conflicting headlines in your edition of April 21. The first was "Euro becomes a casualty of Balkan war"; the second was "A strong pound could send deficit soaring".

With respect, both cannot be true, for few will dispute that the UK is more involved in the Balkan war than any euro-zone country. Surely then the pound should also weaken with the euro?

The fact is that the Balkan war has had little effect yet on the economies of Europe, and the weakness of the euro is due to the economic and political policies primarily of France and Germany. Let us call a spade a spade.

R.W. Leon, Ghisa House, Little Switzerland, Douglas, Isle of Man IM2 6AF, UK

Ineffectiveness of economic sanctions underlined

From Mr Brett Wagner.

Sir, The US Congress is currently considering the Sanctions Reform Act of 1999, legislation that could profoundly alter the manner and frequency with which the US imposes economic sanctions. The Act was introduced last month in both houses of Congress and enjoys broad bipartisan support. It is likely to reach the president's desk this year.

As documented in a report by the Centre for Strategic & International Studies, unilateral economic sanctions are among the least effective foreign policy instruments. They frequently fail to change the behaviour of the offending country; they often isolate the imposing country more than the target country itself. Moreover, the globalisation of commerce, communications, industry and technology will prove such unilateral

approaches less effective in the future.

The report argues that US diplomacy should be based on comprehensive and continuous engagement. While disagreements between nations do occur, ruptures in diplomatic relations, economic activity and cultural exchanges should be rare.

Furthermore, Washington policymakers should enlist US allies and the target state's trading partners in sanctions regimes. A pledge by the US to avoid extra-territorial provisions in future sanctions law would certainly advance this effort.

Brett Wagner, policy analyst, Unilateral Economic Sanctions Project, Centre for Strategic & International Studies, 1800 K Street NW, Washington DC 20006, US

Volatile mix

From Mr Peter Hutton.

Sir, Ronald Hampel complains that the interaction of analysts and media "creates real problems for management" (April 22). Presumably this difficult environment is a justification for the high pay packets he advocates in the rest of the speech. I wonder which would he have preferred to do without?

Peter Hutton, 5 Verschoyle Mews, Dublin 2, Ireland

Battlefield

From Mr Alex McLaren.

Sir, I voted Labour to save the NHS and for Labour to provide an education for my children. I did not vote for a Tony Blair who would waste millions on a useless war in a faraway country.

Alex McLaren, 16 Canobie Road, London SE23 3AP, UK

Number One Southwark Bridge, London SE1 9HL

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PERSONAL VIEW DAMON BRISTOW AND JONATHAN EYAL

Kosovo's Tibetan parallel

The west has largely ignored China's opposition to military intervention in the Balkans – but Beijing's views will need to be heard before the conflict can be resolved

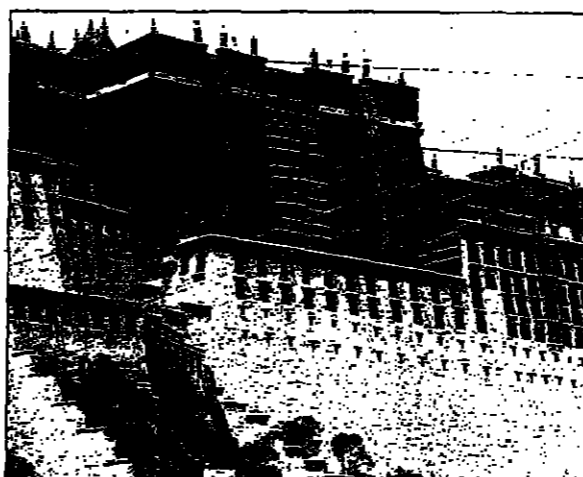
Tensions between western leaders and the Kremlin over the conduct of the war in Kosovo featured prominently at Nato's 50th anniversary summit at the weekend. But one issue not addressed in Washington may prove to be just as important: the reaction of China to the western action.

Beijing shares Moscow's steadfast opposition to the use of military force in the Balkans. However, while Moscow's support for the Serbs and the consequences of its opposition to the bombing campaign have been the subject of close scrutiny in Europe, China's objections have been largely overlooked. That may prove foolish, for the Chinese reaction to Nato's operation is more subtle and, in many respects, more enduring.

Unlike the Russians, the Chinese cannot claim close relations with the Balkan region, although during the cold war Beijing supported Yugoslavia, Albania and Romania in the defiance of the Soviet Union. Nor did the Chinese expect to be consulted during the various phases of the Yugoslav war. While Kuesia was a member of the so-called Contact Group of countries dealing with the conflict, Beijing remained on the sidelines, while routinely abstaining in the vote on many Yugoslav resolutions adopted by the United Nations security council. Instead, two other developments have propelled China into action.

The first was the creation of small, poor and vulnerable countries out of the ruins of Yugoslavia. Inexperienced and strapped for cash, these countries proved to be easy prey for Taiwan's campaign to gain international recognition. The sight of Taiwanese diplomats offering cash in return for establishing diplomatic relations with Yugoslavia's successor states riled Beijing.

Taiwan, still regarded by China as a renegade province, scored an important triumph earlier this year when Macedonia recognised it and even agreed to host an official Taiwanese visit at the



Tibet: China fears Kosovo will set a precedent

Sarah Murray

rank of foreign ministers. China's response was prompt: it amounted to a veto over a routine security council resolution to extend the mandate of peacekeepers in Macedonia.

The episode was almost ignored in the western media, which remained concentrated on the Kosovo crisis. But it did not escape the attention of Slobodan Milosevic, president of Yugoslavia. One of the reasons advanced by Yugoslavia for the seizure of three US soldiers apparently on Macedonian territory was that the soldiers' presence was illegal, since their UN mandate had expired.

Characteristically, the Chinese are unwilling to become Mr Milosevic's pawns; unlike the Russians, therefore, they have not tried to offer Yugoslavia any direct support. Nor have Chinese officials rushed to Belgrade to suggest various peace schemes. But Chinese opposition to the Nato operation in the Balkans remains just as implacable. And the Chinese are biding their time, suspecting that they may be able to exact their revenge when western governments come to the UN to gain approval for any Kosovo peace deal.

The Chinese are deeply disturbed by the notion that any group of countries can decide to intervene in what they consider internal affairs of other countries – parallels between Tibet and Kosovo are too great.

Clearly, Beijing knows that no country would consider military action on behalf of the people of Tibet. But, as great sticklers for protocol, the Chinese are just as impressed by legal precedents as by practice.

More importantly, Beijing is concerned about Nato's future global role. Over the past year, Chinese diplomats have regularly expressed concern about the alliance's decision to move from its old job of safeguarding the security of its member states towards a "new strategic concept".

The Chinese have made clear that they view the new strategic concept as a menace to their own security. Beijing has watched with alarm as the alliance forged relations with countries such as Kazakhstan, which has chosen to associate itself to Nato through the Partnership for Peace programme.

To any European politician, such fears may seem far-fetched. Although Nato has acted in Yugoslavia – thereby establishing the precedent for intervention in non-member states – no one envisages a wider geographic remit for the alliance.

The Europeans and the Americans have vastly different positions over conflicts in the Middle East and north Africa and it is hard to see how the alliance can operate even further afield. Furthermore, despite some mutterings by French and British politicians about how

Europe should contribute more actively to Asian security, the fact remains that the European members of Nato do not envisage active military operations there.

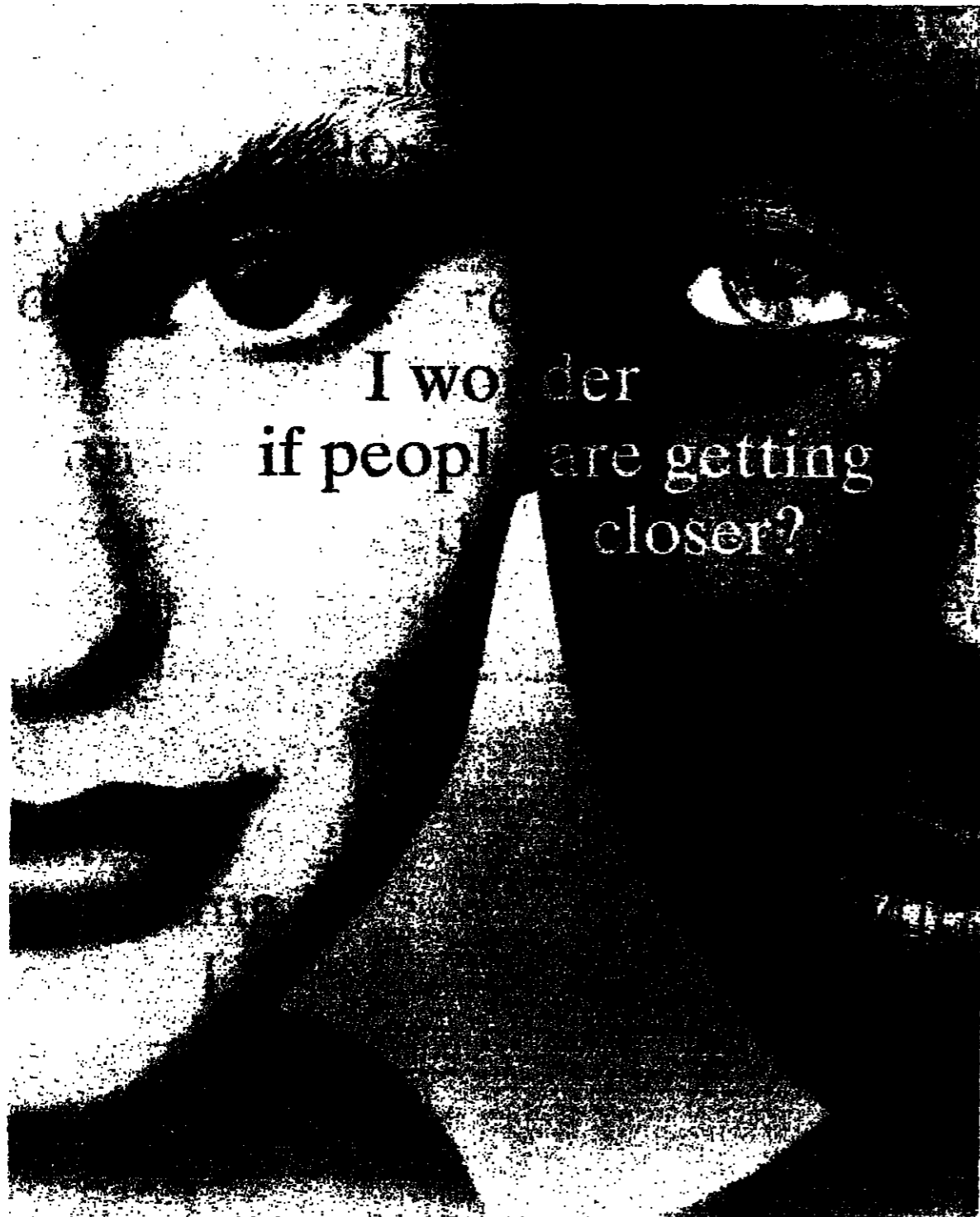
But Chinese fears take a longer-term view. Beijing has noted the US desire to forge regional alliances with Japan and South Korea very much modelled on the Nato pattern. It has also noted the possibility that – at least in legal terms – countries such as Kazakhstan and Russia will now be able to demand a formal process of political consultation with Nato in times of crises.

And, finally, the Chinese are struck by the way democratic societies can be influenced in warfare. The sight of the Albanian refugees has changed Nato's war aims from those of simply seeking an autonomy for Kosovo to those of almost guaranteeing its independence. Could not a similar process be repeated if there were public demonstrations in Taiwan demanding the island's formal declaration of independence, or if there were more bloody riots in East Timor and in other parts of Asia?

Nato's apparent inability to take into account Beijing's feelings does not bode well for the future. The irony is that while the US, Britain and others in the alliance pay lip-service to China's growing economic, political and military power, and talk about the importance of "engaging" Beijing, when push comes to shove China's word carries little weight in most western capitals.

Unlike the Russians, the Chinese have never made a bold claim to exercise a veto over Nato's activities. But Beijing will have to be heard when Nato turns to the UN for the final settlement of the Kosovo conflict. Western governments will then be in for a surprise. If Nato wishes to act on the global stage, it must be prepared to think globally as well.

Damon Bristow is head of the Asia Programme and Dr Jonathan Eyal is director of studies at the Royal United Services Institute for Defence Studies in London.



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FINANCIAL TIMES

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Monday April 26 1999

The G7 after the storm

Although Japan and much of the developing world will suffer recession this year, the mood at today's meeting of Group of Seven finance ministers and central bankers will be measurably lighter than during the dark days of last autumn. But manias, panics and crashes are the nature of the financial market beast. At some point, there will be another crisis. The question is whether anything has been learnt from this one.

The financial storm which started with Thailand's devaluation in July 1997 and which - with signs of recovery in Brazil - appears to have blown itself out, was the result of the fickleness of the hard. Investors piled into east Asia at the start of the decade with scant regard for risk.

When the mood changed, investors bolted in the opposite direction with equally scant regard for economic fundamentals. Small economies can be overwhelmed when large financial institutions make fractional adjustments in their global portfolios. The G7 has taken some steps to shore up the world's financial system. Progress has been made in introducing greater transparency and codes of best practice. The global stability forum, by bringing together financial regulators, should help limit the kind of euphoric bubble which burst so dramatically in Asia. The much discussed contingent credit facility may help limit contagion, and reports on risk management

and highly leveraged institutions may yield change.

But the message of today's G7 meeting will be that - when the next crisis strikes - poor countries are on their own. Rich countries are not going to do anything about their banks. The institutions are too powerful. The moral hazard problem will not go away. Therefore, emerging markets must take their own precautions. This means financial transparency, closely regulated and honest banking, fiscal prudence, prudential reserves and sustainable exchange rate regimes (which, the IMF now acknowledges, rules out adjustable pegs).

Crucially, there should be no perverse distortions which encourage risky short-term capital flows, rather than more desirable long-term lending, equity flows, and direct investment. If the west will do nothing to make its banks safer, developing countries must limit domestic exposure through curbs on short-term foreign currency liabilities. The alternative is to sell the banking sector to foreigners.

Policymakers in emerging markets must take these lessons to heart. International capital markets can finance development, but the events of the last few years have knocked development back in many parts. There will be more manias, more panics and more crashes. The G7 has taken some steps. Developing countries must do more.

Nato's caution

Once it became clear that Nato's 40th anniversary summit would be dominated by unfinished business in Kosovo, its outcome was doomed to a confusion of objectives. In the event, it turned out to be neither a very determined council of war nor a very visionary look to the future. It must be hoped that it has still done enough to demonstrate to Slobodan Milosevic that he cannot open any early relief from the bombing of Yugoslavia, unless he uses for peace and lets the refugees return.

The 12 Nato member states managed to agree in Washington to carry on, and even intensify, their aerial bombardment. But they stopped short of any thorough consideration of the use of ground troops to follow it up. Their excuse was that any such debate would have been a tacit admission of failure of the air war. That is too feeble.

Ground troops will have to be used to chase Kosovan refugees back to their homes, at the very least. They may face on-term, low-level Yugoslav hostility, even after an intensified bombing. Western public opinion should be prepared for that. And Mr Milosevic must be made to realise that he faces a threat on all fronts, and not simply that of bombers and fighters flying at 15,000 feet.

The reality is that many Nato members still entertain doubts

about the use of ground troops for anything but peace-keeping, after a total surrender. Some are also hesitant about enforcing a total oil embargo for fear it could be seen as an act of war by the likes of Russia.

On one level their hesitancy is reassuring. It proves once again that Nato is an organisation of peace-minded democracies, not a war-mongering alliance. That is the extraordinary achievement of its first 50 years, and the justification of its continued existence. But it does make the determined prosecution of war much more difficult.

The summit also approved a new strategic concept, designed to give the alliance a purpose for the 21st century. It includes use of Nato forces in out-of-area actions - like Kosovo - without necessarily seeking the prior approval of the United Nations. It refers to the vague concept of preserving security in the "Euro-Atlantic area". And it would allow European Union members to conduct their own defence initiatives with Nato support.

Those ambitions are all very well. They assume a successful conclusion to the war in Yugoslavia, and a willingness to do the same thing again. That may require more determination than some members demonstrated in Washington. Until then, the new strategic concept can be no more than "work in progress".

Unruly union

Elections always seemed the most likely outcome of India's latest political crisis, despite the best - and desperate - efforts of Sonia Gandhi to form a government. But the timing is far from convenient. With the monsoon season, it looks unlikely that they can be held until September. India is thus probably set for a longish period of caretaker government, during which it will be difficult to mount any new policy initiatives. Economic reform will stop, just when the business community thought the government was finally getting to grips with some of the country's intractable problems. Worse still, the chances of any speedy resolution to the controversy surrounding India's nuclear tests look slim.

It would be easy at this point to dismiss India's democracy as flawed. But this would be unfair. The willingness of politicians such as Atal Behari Vajpayee to step down when they lose a confidence vote is a sign that democracy is deeply entrenched, which is ultimately good for stability.

Moreover, the present upheavals are a natural part of a long-term transition to coalition politics. The imperial style of the Congress party, which dominated the last half-century, is giving way to a multiplicity of regional parties that must work together to provide stable government at the centre. The interregnum will be a useful test of the

presidency in managing the more volatile environment. It also will give the main Congress and Bharatiya Janata parties the opportunity to plan how to select coalition partners and work with them on the formation of policy.

That this can be done even in India's chaotic environment is shown by the relative success of the United Front coalition formed in 1996 by H. Deve Gowda. Thanks to strong leadership and a conscious effort to involve senior regional figures in decision-making, it hung together longer than many expected. India will benefit if this is the lesson the main parties learn from the current crisis. But it is unclear how far it will sink in, especially with Congress, which has been slow to understand that it can no longer behave as if it had a monopoly right on power.

Its recent approach has been opportunistic, bringing down coalitions when they seemed to be going reasonably well. This is a high-risk tactic. Her manifest difficulty in forming a government has not enhanced Mrs Gandhi's standing. If having played the Gandhi card, Congress does badly at the polls, it will have inflicted on itself a blow from which it will be hard to recover. Mrs Gandhi, and India's other leaders, need to understand that coalitions work best when there is a genuine willingness to share power.

If there were any doubts about the imperialistic tendencies of the modern telecommunications executive, they should have been dispelled by the events of the past week. The round of mergers between already-gigantic companies has reached an unprecedented level: before long, it seems, most individuals and businesses in Europe and the US will be citizens of these vast communications empires.

The planned union of Deutsche Telekom and Telecom Italia, if consummated, would create a combine with 100m customers, and a declared intention to extend its reach to millions more. American Telephone & Telegraph, with 70m residential customers already, would end up owning cable television networks that pass the homes of nearly a third of all Americans. If last week's unsolicited \$58bn bid for MediaOne is accepted.

Other empire-building mergers are already in the works in the US. Two giant US local telephone companies - one assembled from the old networks of Bell Atlantic, GTE and Nynex, the other from SBC Communications, Ameritech and Pacific Telesis - will each end up controlling one-third of the country's nearly 200m telephone access lines, provided regulators do not object.

On a smaller scale, but no less surprising than the proposed Deutsche Telekom/Telecom Italia marriage, the states would nationalise operators of Sweden and Norway have agreed to create a single company which threatens to dominate communications in Scandinavia.

Furthermore, the cellular phone business has not escaped what amounts to the biggest round of takeovers and mergers ever mounted in any industry. In January Vodafone, the UK operator, acquired AirTouch of the US, giving it huge geographic reach and global branding.

Superficially, many of these proposed unions are driven by purely local concerns - AT&T's need for direct access to customers as it goes through the transformation from long-distance carrier, pure and simple, to full service communications group; Telecom Italia's struggle to escape the attentions of Olivetti, an unwelcome and unwanted suitor.

But underneath, a common logic is driving the transformation of the industry. Old monopolies, once divided and protected from each other by regulation, have had the shackles taken off. They find themselves in a scary new world, one where big neighbours, rather than keeping themselves to themselves, are starting to throw their weight around.

There is also a new band of low-cost, technologically advanced rivals, rising up with the declared intention of skimming off their best customers. Increasingly, these clients are multinational organisations. Operators are thus being forced to devise strategies for expansion outside their national boundaries: retreating to the safety of their home territory is no longer an option.

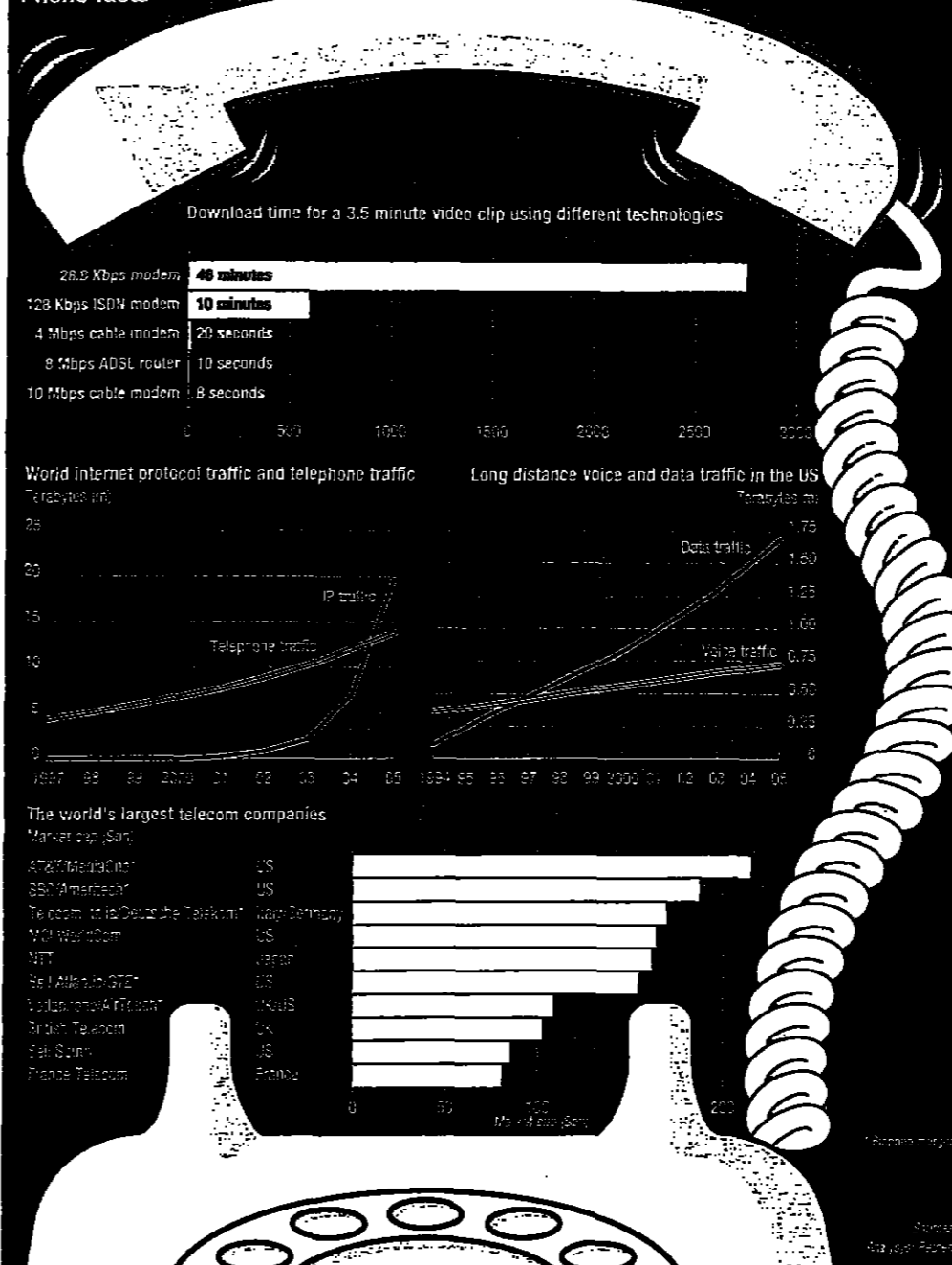
It is not surprising, then, that many traditional operators have adopted the same response: to put together the largest mass of networks and customers that regulators will allow them, then hunker down against the enemy.

The question for regulators and politicians is: if the operators'

Making connections

National telecoms monopolies are planning huge mergers to head off competition and smaller rivals bent on breaking up their empires, write **Richard Waters** and **Alan Cane**

Phone facts



strategy works, will it kill off the hoped-for benefits that liberalisation of telecoms markets was meant to bring in the first place? This is potentially an issue of fundamental importance to the global economy. In the networked world foreshadowed by the rise of the Internet, the biggest rewards are likely to flow to those countries whose citizens enjoy the cheapest, most efficient access to information. The near-ubiquitous silicon chip will not fulfil its promise until the high-speed fibre-optic network becomes equally common.

While their regulatory histories differ, the mergers pursued by American and European carriers in response to liberalisation have been driven by the three basic desires. The first, and most powerful, has been the pursuit of size for its own sake. "The industry lends itself naturally to scale - and scale has been artificially constrained by politicians," says Mark Brunau, a telecoms consultant at Renaissance Worldwide in the US.

To this could be added a natural fear on the part of telecom executives: that by staying apart from the new giant groupings, they may risk being marginalised. Better to act now than to wait to be swallowed whole by some passing whale.

But there is no guarantee that scale will bring success. "The experience [of big mergers] in the US so far is mixed," says Raul Katz, head of telecoms consulting at Booz Allen & Hamilton.

Global alliances such as Global One, the partnership between Deutsche Telekom, France Telecom and Sprint of the US, have so far failed to generate profits despite huge investment.

The second motivating force behind the mergers has been the attempt to assemble networks

of creating these end-to-end networks to handle the growing data traffic of multinational companies. MCI WorldCom, along with newcomers Qwest and Global Crossing, have all made their names this way, looking to lay their fibre rings around the main European and American business centres.

Whether for business or residential customers, though, the most valuable piece of the network may turn out to be the so-called "last mile", the connection that runs directly into a home or office.

AT&T may well be the most glaring proof of this fact. Confined to the long-distance market since the old Ma Bell was broken up in 1984, the company has only recently been allowed to own direct links to its customers again. Without them, it could face an uncertain future: its revenues from long-distance calls will fall gradually over the next five years, according to projections issued by the company last week.

The value of those local connections has been rising fast, according to Dan Somers, AT&T's chief financial officer. When it agreed to buy its first cable television company last year, AT&T offered the equivalent of \$2,700 for each of TCI's subscribers; for MediaOne, it has bid \$4,700. Those cables could eventually become a lifetime, pro-

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OBSERVER

Taiwan's brand new look

Generalissimo Chiang Kai-shek wouldn't have approved. So fierce was his hatred of communists that he often preferred to fight Mao Zedong than the invading Japanese.

Now Taiwan's preparing to permit communist activism by revising cold war laws. And, in another sign of its political make-over, it has agreed to dig into its pockets to help former Nationalist soldiers remove anti-communist tattoos.

The island is thinking of scrapping the stiff prison sentences that once were meted out to pro-communists and Taiwanese separatists alike. Such draconian measures don't mesh too well with the free-speech policies of the past decade.

Changing times are behind the state-sponsored tattoo removal too. Chiang ruled Taiwan as an anti-Marxist bastion after being chased off the mainland in 1949. While he held sway, branding "Drive Out the Communist Bandits" on your arm was the pinnacle of political fashion.

But with the old man dead for nearly a quarter of a century and Taiwanese hopes of reconquering the mainland long abandoned, the slogans are proving a problem. Old soldiers revisiting their home villages risk being mugged by angry cadres. Grafting skin over nationalist

slogans is expensive and some politicians reckon Chiang's old party - and not the taxpayer - should foot the bill for getting rid of the tattoos. But despite the controversy, the message is clear: the Taiwanese don't want to wear their hearts on their sleeves any more.

Goldman goodies

Goldman Sachs' 200-odd partners have had a busy couple of months. Not only have the financial markets been fizzing with activity, partners have also had to worry over what they'll do with the goodies they'll net when the firm goes public next week. That'll be about \$20m each for the most junior partners and more than \$200m for the head honchos.

This week it's the turn of the 13,000 Goldman employees who aren't partners to get their calculators out. Starting today, managers will call staff individually into meetings, where they'll learn how many shares they'll be allocated.

With about 20 per cent of the value of the firm to split between them, staff stand to get between \$10,000 and several million dollars each, assuming a market value of about \$25bn. Goldman has also held town-hall meetings to tell all the employees how lucky they are. For when Morgan Stanley and Salomon Brothers went public the partners kept all the spoils for themselves.

Silly season

Snoozing doctors, homesick truck drivers and gargantuan law suits. It could only be the United States.

Recently the National Law Journal, a rather sober weekly, printed its list of last year's top 10 legal offences against common sense, all chosen from the newest growth area for legal nonsense, employment discrimination law.

One featured an anaesthesiologist who sued under the Americans with Disabilities Act after he was fired for sleeping "slack jawed and snoring" through four different operations.

He said he had a disability - sleep apnea. Sadly his suit was dismissed after a court discovered that "sleeping while administering anaesthetics severely diminished his ability to perform his job".

There was also a Massachusetts truck driver who said he had a disability that prevented him from driving over bridges or in unfamiliar places. Unfortunately for him, the court ruled that he'd been fired not because he'd asked for a special route, but because he falsified his travel logs.

And a secretary for a New York real estate company said she had to work harder because two co-workers "conformed to a sexual stereotype". Translation:

they took coffee to the boss - and so got away with less work. A jury awarded her \$100,000, but it was overturned on the grounds it wasn't illegal for an executive to prefer an employee who "made his life more pleasant".

Thank God for American legal process, where it takes a court to tell a nation that sleeping doctors are dangerous, and that coffee can be nice.

Crew change

Flight attendants on Scandinavian Airlines System are altering their current, rather military look. Next month, out go the Nordic carrier's starched white shirts, ties and navy blazers; in come beige polo sweaters, light slacks and baseball caps.

But what to do with the cast-offs, including nearly 30,000 unwanted items of clothing? The last batch of uniforms was designed by no less than Calvin Klein - and you'd have thought the collection could easily find a home in the second-hand stores of London, New York or Paris.

Instead, it's all headed to the small Lithuanian town of Druskinai. Rather than resell the uniforms - and risk them being acquired by a trumpy, low cost rival - the airline has decided to donate them to an adult training college, where they'll be target practice for wannabe Jean-Paul Gaultier. Bit of a hard landing, fashionably speaking.

Financial Times 100 years ago

Rhodesian prospects
The meeting of the British South Africa Company to be addressed by Mr. Rhodes on Tuesday next will doubtless be anticipated with no less interest than was commanded by the gathering of shareholders held in April last year. Mr. Rhodes, being then considered to have atoned for past indiscretions by two years' banishment from office, was restored to a seat on the Board, with the joy which angels feel at the sight of the sinner who repenteth; and so big was the jubilation concourse that the reinstated hero had to address an overflow meeting on the staircase of the Cannon-street hotel.

50 years ago
Contangoes Again
With the object of assisting jobbers to maintain free markets on the Stock Exchange, the Council has decided to restore the continuation (or contango) facilities, which were suspended at the outbreak of war in 1939, when cash dealings only became the rule. The new regulations mean that buyers and sellers of shares may continue their bargains from Account to Account at market rates of interest.

THE LEX COLUMN

A woolly mammoth

Will Telecom Italia's merger with Deutsche Telekom - assuming it goes ahead - produce anything other than a dinosaur? The omens are poor. Europe's national telecommunications monopolies have a well-earned reputation for bureaucracy, overstaffing and indifferent service. Deutsche Telekom, for instance, is only half as efficient as US regional operators - Baby Bells - measured by number of employees per installed line. Telecom Italia is little better. Surely, a merger of two such monsters would entrench bad old practices, not encourage reform?

Not necessarily. The impetus for change is coming from predatory new entrants taking advantage of deregulation to snap up the juiciest bits of national and regional markets. These have savaged Deutsche's long-distance call traffic. This pressure is unlikely to slacken, even if the merger happens. The deal's aim is similar to that of Baby Bell consolidation: to maximise "end-to-end" call traffic by creating bigger networks. By ensuring call quality, this helps retain the business customers new entrants are targeting.

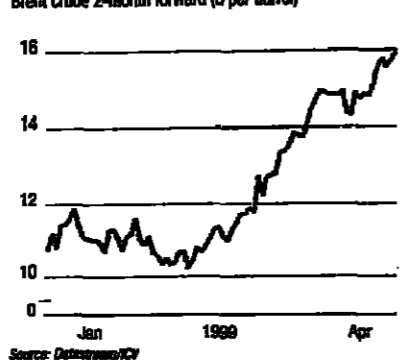
But is such a mammoth combination manageable? There are certainly problems. The deal is riddled with political compromises, yet these do not seem to have satisfied the Italian government. The risk is that politicians use the deal to reassert control. Given the paltry synergy benefits, loading on social obligations would be the kiss of death.

Goldman Sachs

The investment banking world has three premier brands: Morgan Stanley Dean Witter, Merrill Lynch and Goldman Sachs. Although Goldman considers itself a cut above the rest, investors prefer the broader earnings mix of its peers. These two are trading at 17-18 times estimated 1999 earnings. Goldman's initial public offering next Monday should be priced at a slight discount, partly because it is an IPO, but also because of its more volatile profits. Still, a multiple of 16 times Goldman's estimated 1999 earnings of \$3.50 per share values the stock at \$56, above the indicated \$45-\$55 price range.

This could be pushing it. A look at book value tells a different story. Morgan Stanley is trading at 4.2 times book, but Merrill, which saw a slump in return on

Oil price
Brent crude 2-month forward (\$ per barrel)



equity during last year's market turmoil, only at 3.2 times book. At the top of its indicated range, Goldman would trade at a higher multiple of book than Merrill. True, Goldman's return on equity was stronger in the first quarter, but in last year's fourth quarter Goldman barely broke even after payments to partners. Merrill may not hit the heights of Goldman, but it has managed to avoid the lows.

Goldman intends to build up its asset management business and reduce its historical reliance on trading revenues. If it does not, it cannot expect to be valued as highly as Merrill and Morgan Stanley in the grim as well as the great times of the cyclical securities industry.

Far from slumping to \$5 per barrel, as some predicted, Brent crude two months forward is now about \$15. Since the start of March, the oil price has risen by an astonishing 45 per cent, helping the FT/S&P world oil index as a whole outperform by 15 per cent, and exploration and production stocks by 23 per cent over the same period. Opec surprised the market with the scope of planned production cuts and the alacrity with which it acted.

Its aim of boosting oil revenues has also been given a fair wind by more muscular assessments of demand: the IMF's latest World Economic Outlook sees advanced economies growing at 2.3 per cent next year, up 0.4 percentage points from its December projection. Does this mean the oil price and oil shares have much further

to rise? Although the stock overhang should have largely cleared by end-1999 with 80 per cent compliance with production cuts, the likelihood is that cheating around the edges will cap prices at about \$16-\$18 per barrel.

As for shares, the surge in the oil price will swell short-term earnings and the value of cashflows. But longer-term oil price forecasts will determine whether there is more value to be released in share prices. If these too start to edge towards \$18-\$20 per barrel, the current rally will have further to go. Assuming there is more consolidation to come and global growth is indeed recovering, investors should not regret rotating into oil stocks.

Japanese M&A

Western investment banks have been taking the lion's share of fees for IPOs and deals in Japan recently, so it is hardly surprising that Japanese bankers have been complaining. Hence the jibe from Masao Nishimura, president of Industrial Bank of Japan, that western rivals charge excessive fees.

But an alternative view is that Japanese banks have not demanded enough for their services. Their low fees merely underline their continuing inability to find alternative profit streams to offset the decline in their role as financial middlemen. On occasions, they have even given M&A advice for free.

The other possibility is that Japanese companies get what they pay for. In other words, the advice from western investment banks is better than that from Japanese and thus worth more. Certainly the most recent big deals, such as Renault's acquisition of a controlling stake in Nissan, have been far larger and more complex than traditional local mergers, which used to be brokered on both sides by one institution.

Not only do Japanese banks not have the global reach necessary to attract foreign buyers, but their links with various keiretsu - business groupings - make their objectivity suspect.

There is nothing to prevent Japanese institutions building up their expertise, but for the moment grumbling about fees sounds suspiciously like sour grapes at losing market share.

ECB attempts to soothe fears over euro's weakness

Board members claim strong dollar is main reason for weakness

By Tony Barber in Frankfurt

The European Central Bank has launched an offensive against critics of the euro, saying the new currency's weakness against the dollar does not mean its long-term stability is in doubt.

Sirkka Hamalainen of Finland, a member of the ECB's six-strong executive board, said the euro's 10 per cent fall against the dollar since its launch in January largely reflected the US economy's strength and concern about the Kosovo war rather than fundamental problems with the currency itself.

"I would like to underline that it is still too early to make any clear assessment of the final success and role of the euro," Mrs Hamalainen said in a speech to the Bond Dealers Association in San Francisco. "To a large extent, the developments in the foreign exchange markets over the last few months can be characterised as a period of dollar strength rather than euro weakness."

Her comments are in line with other remarks by European central bankers and politicians who have begun to hint that the euro has fallen far enough. Dominique Strauss-Kahn, France's finance minister, said last week that "the euro-dollar exchange rate is now close to the lower end of a reasonable range".

Since touching a high of 1.1877 against the dollar on January 4, the euro has drifted steadily downwards, closing last Friday in New York at \$1.0605. Some economists point out that the euro's weakness is a blessing in disguise, as it has helped European exporters at a time of economic weakness in the euro-zone.

But Mrs Hamalainen suggested that the ECB would not stand aside if the euro continued to fall, saying that in "very exceptional cases" the central bank could send signals to financial markets that it believed the exchange rate was unjustified.

Such signals could include "oral intervention", direct intervention in

foreign exchange markets and changing interest rates, she said. Another ECB board member, Tommaso Padoa-Schioppa of Italy, said in Milwaukee last week that the euro-zone's fundamental strengths did not justify a further fall in the euro.

Economists said it was significant that both board members made their remarks in the US as financial markets and media there had begun to question the euro's credibility.

Some US economists say the ECB's 17-member policymaking Council is so large that it is prone to sending contradictory signals. Wim Duisenberg, the bank's president, told a European parliament committee early last week that the euro's level against the dollar gave him no cause for concern.

Mrs Hamalainen said the euro would gain strength as the European economy improved and as markets took account of the euro-zone's strong external balance compared with the US deficit.

Researchers claim Argentina's central bank held Nazi gold

By Ken Warr in Buenos Aires

Researchers into Argentina's links with the Third Reich have unearthed what they claim is the first solid evidence that Nazi gold was deposited in the Argentine central bank.

Proof that the gold was looted or formed part of a money laundering operation would bring Argentina closer to centre stage in the debate over reparations to the victims of Nazi Germany. Argentina has already pledged to take part in the reparations fund set up at the London conference on Nazi gold in December 1997.

The evidence covers the period immediately following the second world war, during the government of General Juan Domingo Perón, founder of the current ruling party.

"This is a major breakthrough," said Ignacio Klich, who leads the Commission of Inquiry into the Activities of Nazism in Argentina. "Before there were just rumours, or reports from agents, who are not always reliable. Now we have some-

thing black-on-white." The evidence is in the form of a letter from Gen Perón's first foreign minister, Juan Bramuglia, in which he admits asking the Swiss legation in Buenos Aires in 1946 to deposit in the central bank gold it had been holding on behalf of Nazi Germany. Switzerland represented German interests in Argentina after diplomatic relations were broken in 1944. Argentina only overcame its broad sympathy for the Axis powers and declared war on Germany in the dying stages of the conflict.

The late Mr Bramuglia was highly respected among the Allies and would widely be considered a reliable source, said Mr Klich, who is due to meet Pedro Pou, central bank president, this week to request further assistance.

However, the letter fails to mention the size of the gold deposit, or whether it was in monetary or ingot form. Pinning down the nature of the deposit could help determine if it was looted. Ingots would be more likely to suggest the presence of "tainted" gold.

Researchers have already uncovered details of a transaction involving 35 gold ingots, which could correspond to the deposit mentioned by Mr Bramuglia. The fate of the deposit he mentioned is not known.

Mr Klich hopes to question surviving central bank officials of the day, and to examine in more detail records covering Swiss-Argentine gold transactions in the post-war period.

Argentine central bank records show numerous gold transactions with the Swiss after the war. However, trade transactions were often settled in gold at the time, frequently with the notional rather than physical transfer of gold.

"These transactions could simply be related to trade, or they could be part of a money-laundering operation," said Mr Klich.

The commission of inquiry, set up by the Argentine government in 1997, has also uncovered evidence that Argentina was used as a "transit point" to sell looted works of art into the US market, or even back into Europe.

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Striker strike: Riot police arrest a Seoul subway worker as labour unrest looks set to grow and foreign investors' worries increase. Page 6

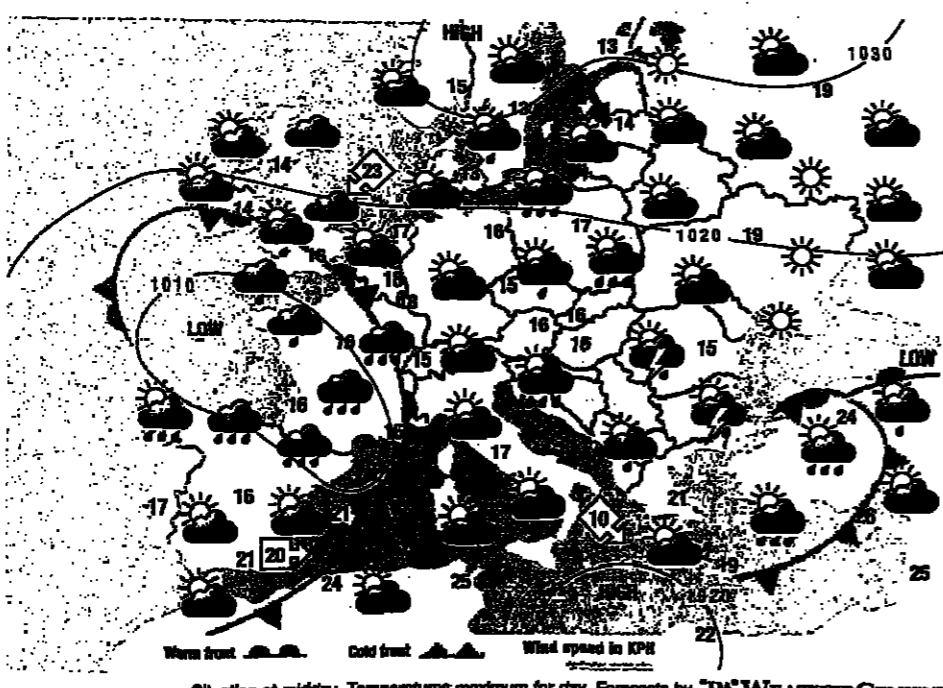
FT WEATHER GUIDE

Europe today

Scandinavia will be dry and mild with sunshine, especially in the west as high pressure builds. High pressure will stretch into Russia and Ukraine, bringing sunshine. Central and eastern Europe and the eastern Mediterranean will have showers, the showers thundery over the Balkans. The central Mediterranean will be fine, warm and dry but the Iberian peninsula will have sunny spells and heavy showers. The Low Countries and northern and western Germany will be dry with sunny spells. France will have rain as a result of an Atlantic frontal system.

Five-day forecast

Scandinavia will become increasingly cloudy. Rain in the west tomorrow will move eastwards. Much of the rest of Europe will be unsettled with showers. Eastern parts of Spain and southern France will have heavy, thundery outbreaks of rain during Thursday.



Situation at midday. Temperatures maximum for day. Forecasts by FT WEATHERCENTRE

TODAY'S TEMPERATURES					
Moscow	Sun 20	Fair	Paris	Sun 20	Fair
London	Sun 18	Cloudy	Madrid	Sun 18	Shower
Amsterdam	Sun 18	Shower	Rome	Sun 18	Shower
Berlin	Sun 18	Shower	Stockholm	Sun 18	Shower
Brussels	Sun 18	Shower	Warsaw	Sun 18	Shower
Frankfurt	Sun 18	Shower	Zurich	Sun 18	Shower
Hamburg	Sun 18	Shower			
Köln	Sun 18	Shower			
Lisbon	Sun 18	Shower			
Madrid	Sun 18	Shower			
Munich	Sun 18	Shower			
Nuremberg	Sun 18	Shower			
Oslo	Sun 18	Shower			
Prague	Sun 18	Shower			
Riga	Sun 18	Shower			
Sofia	Sun 18	Shower			
Stockholm	Sun 18	Shower			
Tallinn	Sun 18	Shower			
Vladivostok	Sun 18	Shower			
Yokohama	Sun 18	Shower			



Ken Colley, Chief Executive, Portman Building Society

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COMPANIES & FINANCE: INTERNATIONAL

TELECOMMUNICATIONS 30% STAKE IN JAPAN TELECOM IS VALUED AT \$2BN

AT&T and BT move into Japan market

By Michio Nakamoto in Tokyo and Alan Cane in London

AT&T of the US and British Telecommunications yesterday announced they were taking a 30 per cent stake in Japan Telecom at a cost of about \$1.2bn (\$1.9bn).

It will be the first big overseas investment in a leading Japanese carrier, giving AT&T and BT, which are jointly building a global network, a foothold in the world's second largest telecoms market, worth some

\$100bn annually. Japan Telecom will become the sole distributor of AT&T and BT's branded services in Japan.

The price represents a premium of about 20 per cent to the average share price over the past six months.

Michael Armstrong, AT&T chairman, said it was essential that AT&T and BT's joint venture had a strong distributor in this key market. Sir Peter Bonfield, BT chief executive said: "No corporation that aspires to be a global player can expect to

do so without being present in Japan."

The deal puts an end to BT's hopes of an alliance with NTT, Japan's largest domestic operator which is undergoing fundamental restructuring. Richard Slo-grove, BT regional director for Japan, said there had been no area where NTT felt it could benefit from BT.

Japan Telecom will use the proceeds from the issuance of shares to invest in internet technology and in infrastructure to expand its position in the Japanese data communications market.

Japan Telecom is a long distance and international carrier which operates the country's second largest optical fibre network. It has some 17m fixed line customers and 6m mobile subscribers. It also owns an internet service provider which will be combined with BT and AT&T's own ISPs in a data division within Japan Telecom with more than 400,000 customers.

BT plans to take an additional stake in a Japan Telecom subsidiary being established to provide mobile phone services.

The deal, the first since AT&T and BT announced their partnership last year, is complicated by the need to respect Japanese sensitivities over foreign investment in strategically important businesses.

Under the agreement, BT and AT&T will each subscribe for 15 per cent of Japan Telecom's equity. The Japanese company's largest

shareholder, East Japan Railway, will have 15.1 per cent of the equity after the deal.

BT is paying about \$600m in cash; its Japanese assets, worth about \$160m, will be folded into Japan Telecom. AT&T is paying about \$130m in cash and contributing assets worth \$270m. A holding company will be established in which BT will have a 20 per cent interest and AT&T 10 per cent. The 30 per cent stake will be managed jointly by the two.

shareholder, East Japan Railway, will have 15.1 per cent of the equity after the deal.

A result caught blowing in the wind

Christopher Brown-Humes assesses the future of Bradford & Bingley

Bradford & Bingley, the UK's second biggest building society, said yesterday its vote on whether to convert to bank status had produced "a definitive result" but it declined to comment on the outcome despite speculation that it has lost.

The result will be announced at the group's annual meeting in Bingley at about 3pm today. Defeat would almost certainly force the society to take steps to convert to a listed bank, or find a trade buyer.

This could trigger windfalls of about £1,000 each for up to 3m people. In addition to a resolution calling on the society to take steps to convert to a listed bank, or find a trade buyer.

The society said yesterday both votes had gone the same way and produced "a clear result". It said: "It is a defining moment for the society. Either it will stay mutual or it will convert."

B&B, founded in 1851, has campaigned vigorously in favour of mutualism, arguing that its competitive savings and mortgage rates will do more for members than a one-off windfall. It mounted a £6m pro-mutuality adver-

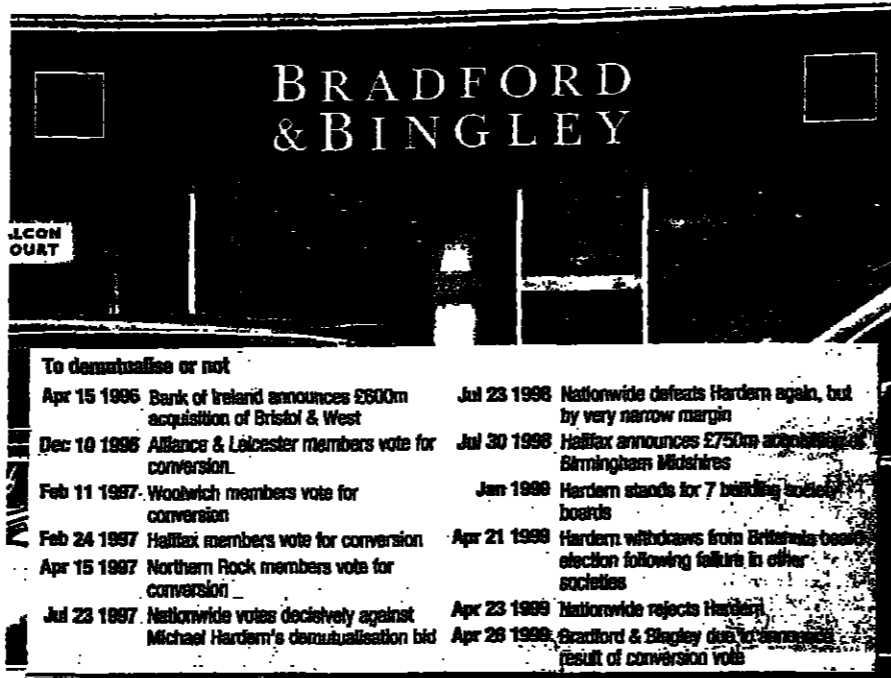
tising campaign and had numerous MPs supporting its cause.

More than 1.5m of 2.5m eligible members voted, a turnout of more than 50 per cent. B&B estimates that between 500,000 and 600,000 carpet-baggers have joined in the last two years, a much higher proportion than at other societies. B&B only closed its doors on speculators at the start of the year.

That would mean the vast majority of its longer-standing membership would need to vote in favour of mutualism for it to win. If it has lost, it could regret its decision not to follow other building societies by establishing a foundation forcing new members to donate any windfalls to charity. A defeat for the management would mark the first time that members have gone against the wishes of the board in a conversion vote.

Analysts believe the society could be worth up to £3bn. While it might favour a listing as an independent entity, other banks and life insurers may pitch in with bids before any flotation.

Last week there was speculation that the group had lined up a white knight bidder: analysts say possible



candidates would include Royal Bank of Scotland, Allied Irish Bank and ABN Amro because they do not have significant overlaps with B&B's current operations.

If B&B has won, it will strengthen the mutual cause and represent a resounding defeat for carpetbaggers. B&B took the view from the start that a big turnout

favoured it because there was a greater chance of loyal voters swamping the speculators.

However, a B&B defeat would represent a damaging blow for the 254-year old building society movement. Other societies, however, played down the vote's relevance to them. Yorkshire Building Society, which has taken steps to make success

in a conversion vote more difficult, said: "We are safe for ever. We will only not be a building society if we choose not to be."

One person close to Nationwide, the biggest society, said: "We have no one standing on a conversion ticket this year. We also have 1m foundation members who have nothing to gain from conversion."

Deloitte sees UK revenues revive

By Jim Kelly

Deloitte & Touche has seen a revival in the growth of its UK revenues to 30 per cent in the year to April 15 - thanks to a vibrant last quarter which will bring revenues for the professional services firm close to £650m (£1bn).

The rare disclosure of recent turnover at one of the "Big Five" firms - which reflects confidence in corporate activity such as mergers and acquisitions - will be seen as an encouraging omen for the UK economy.

John Connolly, Deloitte's newly installed senior partner and global leader of its £6m audit and assurance business, said the UK firm had seen 28 per cent growth over 11 months but expected to touch 30 for the year.

"These signals of a rebound in activity, particularly among large companies, will be added to news of strong economic data that showed a recovery in consumer confidence and stronger personal borrowing."

"People were a bit gloomy around Christmas but we have picked up a lot of clients and got involved in a whole raft of transactions," said Mr Connolly.

The upturn is expected to be reflected across most of the sector after widespread fears in the last quarter of 1998 that several years of increased growth among professional service firms could not be sustained.

Deloitte's results - if confirmed when they formally report - are outstanding. In the year to September 1998 the firm increased revenues by 27.3 per cent to £563m, the best growth performance in the sector. Globally in 1997-98 the "Big Five" grew between 15.6 and 23 per cent.

Remarkably Deloitte's fortunes appear to rely as much on traditional service lines such as audit and tax as on the fast-growing consultancy sector. The consulting practice grew by 24 per cent while the accounting side grew 29 per cent. Even audit and assurance grew 16 per cent - the best such result for more than a decade.

Overall growth was edged up towards 30 per cent by strong performances from other parts of the business, including the accounting practice's middle-market consultancy, Management Solutions. With global revenues of \$600m it is growing at 40 per cent a year.

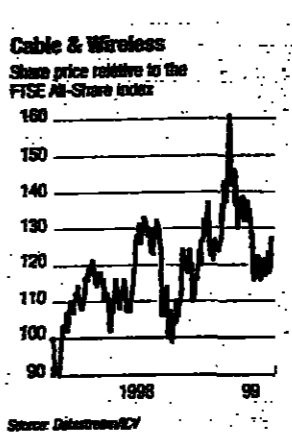
COMMENT

Goldman Sachs

The investment banking world has three premier brands: Morgan Stanley Dean Witter, Merrill Lynch and Goldman Sachs. Although Goldman considers itself a cut above the rest, investors prefer the broader earnings mix of its peers. These two are trading at 17-18 times estimated 1999 earnings. Goldman's initial public offering next Monday should be priced at a slight discount, partly because it is an IPO, but also because of its more volatile profits. Still, a multiple of 16 times Goldman's estimated 1999 earnings of \$3.50 per share values the stock at \$56, above the indicated \$45-\$50 price range. This could be pushing it. A look at book value tells a different story. Morgan Stanley is trading at 4.2 times book, but Merrill, which saw a slump in return on equity during last year's market turmoil, only at 3.2 times book. At the top of its indicated range, Goldman would trade at a higher multiple of book than Merrill. True, Goldman's return on equity was the stronger in the first quarter, but in last year's fourth quarter Goldman barely broke even after payments to partners. Merrill may not hit the highs of Goldman, but it has managed to avoid the lows. Goldman intends to build up its asset management business and reduce its historical reliance on trading revenues. If it does not, it cannot expect to be valued as highly as Merrill and Morgan Stanley in the grim as well as the great times of the cyclical securities industry.

Cable & Wireless

Old-world Cable & Wireless started life more than a century ago, laying cables to connect the UK with its empire. For new C&W, this business is history. Tying up capital in owning ships is hardly suited to a telecommunications company clawing its way up the internet league table. The rich sum C&W has secured for the division is testament to the market's enthusiasm for anything telecoms-related. At about £560m, the price is more than three times the business's 1998 revenues. The enthusiasm of Global Crossing of the US, the buyer, is understandable. Cable contracts may be lumpy, but when they come, they are big. One cable laid last year doubled transatlantic capacity at a stroke. With internet communication growing like topsy and competition driving down the price of international calls, capacity is a good resource to be peddling.



T takeover Panel

Pity the new director-general of the Takeover Panel. Patrick Drayton has spent his first month in the job wrestling with the meaning of the word "material", sparked by two jolly bid situations. In both cases, the Panel's rulings seem sensible. The nub of the matter is the ability of bidders to invoke a get-out condition and walk away. In Michael Ashcroft's bid for Corporate Services Group, the condition was that no CSG director left. One did: chairman Jeffrey Fowler. But the panel did not allow Mr Ashcroft to drop his bid, basically because the resignation was not considered of "material significance". While there are no hard and fast rules about this, it is indeed hard to see why Mr Fowler's resignation should deal such a blow to Mr Ashcroft's plans. After all, if Mr Ashcroft thought Mr Fowler was that vital, he could retire him after winning CSG. Wassall also wanted - and did not get - an unusual condition for a bid for BICC: a recommendation from the BICC board. Hostile bids are nasty and Wassall may have feared that launching one would unsettle its target's customers or partners. These fears are best tackled directly with conditions to protect bidders from inheriting a damaged business. The Panel's decision means BICC's shareholders now seem unlikely to get to vote on a Wassall offer. But if they were that keen, they could have publicly supported Wassall's previous bid approaches.

NEWS DIGEST

OFEX

Sports investors get on blocks for online betting

Investors anticipating a boom in sports betting on the internet will have the opportunity from today to buy shares in NetBet, which becomes the first "quoted" online betting company when its stock starts trading on Ofex.

NetBet shares are being issued in London at 70p, valuing the business at £7m (\$11.3m). The £1.2m raised before expenses will be used in software development, marketing and working capital. The business offers customers an opportunity to avoid betting tax, because it is based in Alderney, where NetBet has a five-year electronic gaming licence.

The website (www.sportingbet.com) was opened last October, and since then NetBet's 1,600 registered customers have been able to bet online, or by telephone. NetBet claims worldwide internet wagering revenue is estimated to reach \$10bn (£6.2bn) by 2002.

The company was founded by Mark Blandford, its current chairman, who until recently ran a betting shop and phone-betting business. After the share issue, he will own 25 per cent of the equity. Amid the current boom in internet stocks, there has been particular interest in the potential of online sports betting, Patrick Harverson.

INVESTMENT TRUSTS

F&C restructures fees

Foreign & Colonial, the oldest and second-largest investment trust, is restructuring the fee it pays its fund managers, partly to make targeting other trusts that run into trouble more attractive. Jeremy Tighe, manager of F&C, said the change to the fee provided an incentive for shareholders to approve acquisitions of other funds. "This makes it more attractive to do that because [the shareholders] benefit from economies of scale."

F&C is to pay Hypo Foreign & Colonial Management - the management company 90 per cent owned by HypoVereinsbank of Germany - a decreasing proportion of the fund in fees as it expands. The fee, currently 0.3 per cent of assets, will be cut as the fund grows, falling to a minimum of 0.15 per cent at £5bn - against today's £2.7bn of assets. At £5bn of assets the new fee structure will cost F&C £1.9m a year less than the previous flat fee.

It is understood that HypoVereinsbank has offered to make hundreds of millions of pounds available for appropriate acquisitions. But this will not extend to hostile bids. James Mackintosh.

FOOD RETAILING

Tesco cuts prices again

UK supermarkets are braced for another price war after Tesco, the market leader, yesterday announced its second round of reductions in two months. The supermarket chain said it was permanently cutting the price of 175 products as part of a long-term strategy.

Invensys builds stake in US maker of batteries

By Peter Marsh

Invensys, the world's biggest maker of controls equipment, has taken a strategic stake in a US business that uses technologies derived from the "Star Wars" anti-missile programme to make batteries for mobile telephones.

The UK group, formed last year from the merger of Siebe and BTR, has spent \$30m (£18.75) building up a 49 per cent stake in PolyStar, a California company set up by US scientists formerly working on the space-based Strategic Defence Initiative

of the 1980s. Invensys is expected to spend a further \$20m by 2002 on development.

By the end of this year PolyStar plans to move into full production of lithium-ion batteries, a rapidly growing form of rechargeable energy device used in telephones and other portable electronic equipment including computers.

The world supply - which has expanded from nil in the early 1990s to about \$2bn a year - is dominated by Japanese companies including Sony, Matsushita and Sanyo. Lithium-ion batteries

retain more energy and can be recharged for longer periods than rival forms of batteries such as those based on nickel-metal hydrides or nickel-cadmium. Their use is projected to grow quickly in the next decade.

PolyStar was formed in 1993 by Jim Kaschmitter, a US government scientist, with other colleagues working on the "Star Wars" project.

They developed exotic materials with potential for storing the vast amounts of energy which would have been required for space-based weapons.

Calpers to invest \$200m in Hermes

By Caroline Daniel

Calpers, the leading US shareholder activist, has cemented its relationship with UK counterpart Hermes by investing \$200m (£124.2m) in one of its funds.

As a result under-performing UK companies are expected to face new pressure from the fund, Hermes UK Focus Fund, an investor instrumental in the ousting of David Montgomery, chief executive of the Mirror Group, earlier this year.

The number of companies targeted by the fund is expected to rise from eight to as many as 15. The investment by Calpers follows the signing last November of a corporate governance alliance, under which Hermes agreed to represent Calpers when voting on UK company issues and vice-versa.

The investment by the largest US public fund nearly doubles the funds under Hermes Lens management, bringing them to \$200m. It follows a \$200m investment Calpers made in

February in UK Active Value, another activist fund management group.

Peter Butler, chief executive of Hermes Lens Asset Management, said: "I think this is a vote of confidence for our whole approach to shareholder activism. Calpers has seen the merits of this after a relatively short period of operation."

The Hermes UK Focus Fund was launched last October as a joint venture between Hermes, which manages more than £350m of pension funds on behalf of BT and the Post Office, and Lens Asset Management, one of America's first activist fund managers.

Typically the fund builds up stakes of just under 3 per cent - the disclosure barrier - but the new money means "that some stakes could go above 3 per cent" said Mr Butler.

BHL manoeuvre for Silverstone

By John Griffiths

Brands Hatch Leisure, the Kent-based motor-racing circuits group, is expected to launch a battle to gain control of Silverstone, home of the British Grand Prix, after the 800 members of the British Racing Drivers Club - Silverstone's owner - voted for a fundamental restructuring of the club at the weekend.

In an informal vote at least 60 per cent of the 800-member club demonstrated their support in principle for a restructuring plan, devised by the BRDC's board and its adviser, Dresdner Kleinwort Benson, that would facilitate development of the club's commercial activities.

The plans provide for the club itself to retain the freehold of the circuit and to enjoy a revenue stream from leases, broadcasting and media rights.

All the commercial activities, ranging from track operation and management, driving schools, hospitality days and a fast-growing industrial and technology

park, would be placed within a new company, Silverstone Circuits Group. Shares in SCG would be distributed to members, with a golden share retained by the BRDC to protect against predators for up to three years, unless 75 per cent of members vote for an earlier sale or float.

The structure has been in part devised to prevent a takeover of Silverstone by Brands Hatch, which has put in a bid to host the British Grand Prix in 2002.

The BRDC's current contract with Bernie Ecclestone, Formula One's promoter, to run the grand prix at Silverstone expires in 2001.

BHL is expected now to start approaching members individually to persuade them to force a sale of Silverstone itself.

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**ABU ZAABAL ENGINEERING INDUSTRIES CO.,
ABU ZAABAL KALYOBIA**
P.O. BOX : 5888 HELIOPOLIS WEST, CAIRO A.R.E
TEL. NO. 002 02 4691225
FAX NO. 002 02 4620872

**INVITATION FOR PRE-QUALIFICATION
(TENDER NO. 99127)**
Abu Zaabal Engineering Industries Co., invites the international companies with experience in supply, installation and operation of a forging press capacity about 2000 ton, to submit their technical proposals for design, execution and operation in addition to the pre-qualification statement demonstrating previous experience in similar equipment.
The pre-qualified firms will be invited to bid for the equipment.
This invitation for pre-qualification should be provided from the commercial sector of Abu Zaabal Engineering Industries Co.,
Submission date of pre-qualification and previous experience by interested firms is 30/5/1999.

COMPANIES & FINANCE: INTERNATIONAL

NEWS DIGEST

CORPORATE GOVERNANCE

Harnischfeger extends shareholder rights

Harnischfeger, the US papermaking and mining equipment manufacturer facing a proxy battle begun by a dissident minority shareholder, announced that its board had approved changes to its corporate governance structure. In future, shareholders will be able to review any transactions exceeding 25 per cent of the company's assets, while investors speaking for 25 per cent of the company's shares will be able to demand a shareholder meeting with non-management directors.

The changes go some way to meeting those proposed by the Trinity Group, which holds about 8 per cent of Harnischfeger's shares and is affiliated with the Texas-based Bass family. The Bass family has long been known for taking stakes in underperforming companies, and then pressing aggressively for changes.

However, the changes do not fully meet Trinity's demands: for example, Harnischfeger will not separate the position of chairman and chief executive, but rather have a board committee review this annually. Niklaid Tait, Chicago

PHARMACEUTICALS

Merck earnings rise 15%

Merck, the US pharmaceuticals company, reported earnings per share for the first quarter of 54 cents, an increase of 15 per cent from a year earlier, driven by growth in established and newer products as well as growth in the Merck-Medco Managed Care business. First-quarter net income increased 12 per cent to \$1.3bn and sales for the quarter rose 24 per cent to \$7.5bn.

"Solid volume gains in both our domestic and international operations contributed to the results," said Raymond Gilman, chairman.

Merck said Astra's one-time payment to Merck of about \$1.8bn as a result of the merger with Zeneca PLC, in return for relinquishment by Merck of certain product rights, would be reflected in the second-quarter results. AFX News, Whitehouse Station, NJ

Abbott names new chairman

Abbott Laboratories, the Chicago-based pharmaceuticals and healthcare products group, has named Miles White as its new chairman.

Mr White won a three-man race last year to succeed Duane Burnham as chief executive of the company. The new chairman previously ran Abbott's diagnostics division, and there has already been speculation that Abbott - a rather low-profile company under Mr Burnham's reign - may take a more aggressive, acquisition-minded approach under his leadership. Niklaid Tait

SETTLEMENT SYSTEMS

Coredeal seeks UK recognition

Coredeal, the screen-based settlement system being developed by the International Securities Market Association, has applied for recognition from the UK regulatory authorities. The move takes Coredeal one step nearer to setting up a real-time exchange for trading wholesale debt instruments in the eurozone.

Isma says the new platform will reduce trading costs, ease the likelihood of systemic risk through the provision of a central counterparty, and enhance liquidity. The software for the trading system will be based on a version used by BondNet in the US.

Coredeal expects to receive its licence to operate as a recognised investment exchange from the UK's Financial Services Authority in October, when the exchange will be technically ready. However, the trading platform's other main feature, the so-called "trade guarantee organisation", which will provide an anonymous central counterparty facility, is unlikely to be in place until next year. Euroclear is in talks with Isma on collaborating with Coredeal and is expected to make a final decision by the end of the second quarter. Khazem Merchant

ELECTRICITY

Enel advances by 29%

Enel, Italy's state-owned electricity company, announced on Friday a 29 per cent increase in net profits last year, mainly due to increased productivity, improved operating efficiency and cost-cutting. Enel announced net profits of L4,286bn (€2,21bn, \$2.38bn) in 1998. Total sales were L37,815bn, up just 0.1 per cent on the previous year. Gross operating margin was up 12.7 per cent at L18,587bn. Improvements in treasury operations and management restructuring contributed some L1,391bn to the gross profits figure, Enel said. Enel said that debt was down to L24,547bn last year, a drop of some L8,628bn from 1997. This put the ratio of debt to assets to 0.7. James Bliff, Rome

STEEL

SSAB sees prices picking up

SSAB, the Swedish steel producer, said last week that product prices in some segments of the steel industry were picking up, with the market situation improving due to limited production in western Europe and fewer imports. Reporting pre-tax profits in the three months to March 31 of SKr108m (\$12.9m), down from SKr677m a year earlier, the company said prices had fallen 12 per cent during the quarter. Nicholas George, Stockholm

ELECTRONICS COMPANY'S DIFFICULTIES CANNOT BE BLAMED ON INDUSTRY CONDITIONS, SAYS DATAQUEST REPORT

Compaq fails to keep up with market growth

By Louise Kehoe
in San Francisco

Compaq Computer, the world's largest personal computer manufacturer, lost market share to competitors in the first quarter even as the world PC market continued to grow rapidly, according to a new market report to be published today.

The market data may boost investor confidence in the US high technology sector, which was shaken this

month by Compaq's profit warning and the company's weak financial results issued last week.

Analysts at Dataquest, one of the leading high technology market research groups, have concluded that Compaq's claim that its first-quarter earnings shortfall should be blamed on market conditions was unfounded.

"Compaq's difficulties appear to be more company-specific rather than industry-wide," said David

Stremba, Dataquest PC market analyst.

Worldwide PC shipments remained strong in the first quarter, growing by 17 per cent against the same period a year earlier, according to Dataquest.

Eckhard Pfeiffer, Compaq chief executive, and Earl Mason, chief financial officer, resigned a week ago, ahead of the company's first-quarter financial report.

On Wednesday, Compaq reported net earnings of 16

cents a share, far below Wall Street analysts' earlier projections of 31 cents a share.

Although the US market for PCs had a slow start to the quarter, shipments increased in both the consumer and the corporate segments after the February introduction of Intel's Pentium III microprocessor, the latest version of the "brain" chip for PCs, Dataquest said.

Compaq retained its num-

ber one market position, with shipments of 3.4m PCs, up nearly 10 per cent on a year earlier.

However, Dell Computer and International Business Machines grew much faster. Dell sold 2.3m PCs in the quarter, up 49 per cent from the same period in 1998.

IBM was a close third at 2.1m units, up 31 per cent.

In the US, Compaq's performance was markedly worse than that of its top

competitors. While Compaq's US PC shipments grew by 7 per cent, its biggest competitors recorded growth of between 26 and 50 per cent in the first quarter.

The global PC market was fortified by steady growth in the US and continued strength in European markets, said Mr Stremba.

Japan's consumer PC market was robust, despite weak economic conditions, and there were signs of renewed demand in Latin America.

AT&T attempt at knockout punch may cost dear

Its bid to buy MediaOne comes as traditional phone business faces decline, writes Richard Waters

In its \$58bn bid to break up the merger of cable television companies MediaOne and Comcast, AT&T is betting on a simple argument: that MediaOne's cable networks, which pass 8.5m homes, are worth more to it than to Comcast.

To judge by the stock market's reaction after the deal was announced, AT&T may well be right. The movement in all three companies' share prices suggests that Wall Street believes Comcast will not try to counter this attempted knock-out punch. AT&T's shareholders, however, may have to pay a steep price for victory.

The bid marks an intensification of the race to deploy the high-speed connections that can deliver voice, video and data services straight into customers' homes. The share prices of other cable companies jumped after the news, as investors in the US and Europe reassessed their scarcity value and the potential of their networks.

For Ma Bell, the calculations have a particular urgency. Its core long-distance business will decline in the coming years as the US local carriers, or Baby Bells, are finally allowed into its market. By developing broadband services for business and residential customers, AT&T claims it can repair this loss and turn itself into one of the industry's biggest

growth companies. Owing in part to a MediaOne acquisition, those broadband services could contribute 56 per cent of the company's revenues in five years' time, up from only 30 per cent now.

Behind this assumption lies a belief that marrying AT&T's long-distance customers - it still speaks for nearly half the long-distance market - and MediaOne's 5m cable customers will produce faster growth for both. Using the networks of MediaOne and TCI, the larger cable company it bought earlier this year, Ma Bell claims it can sell local telephone service to 30 per cent of homes passed by the year 2004. Another 22 per cent of those 28m homes will buy high-speed internet access and 64 per cent will subscribe for television service.

Are these estimates credible? Sweeping claims of market-share gains have proved woefully wrong before. Three years ago, former chairman Robert Allen claimed AT&T would steal 30 per cent of the Baby Bell's local customers by reselling the local exchange service under its own brand. It would even need its own network. Instead, it has only a tiny fraction.

The company's executives concede they will have to rely on a similar strategy in the short term, since it will take time to prepare the net-



Michael Armstrong: risk of being shut out from potential customers

works for telephone service and begin their marketing blitz. They will also need to persuade customers to support the cost of the set-top boxes that make the cable services possible, something many may balk at.

Why, though, did AT&T feel the need to buy MediaOne at all? Michael Armstrong, chairman, had suggested before that his company did not need to own more networks outright, but could sell telephone service with existing cable companies.

The answer appears to lie partly in opportunism, partly in a concern not to lose control of one of the biggest cable networks. If Comcast had declined to carry

AT&T's telephone service, it would have been shut out of a large part of its potential market. According to Mr Armstrong, this was not the motivating factor. But as one person close to him said: "He couldn't afford to take the risk."

Buying MediaOne would bring an extra bonus. With its 25 per cent stake in Time Warner's cable operations, MediaOne has proved an obstacle in AT&T's negotiations with that company. By owning that minority stake itself, AT&T could cement a much closer relationship with the media and entertainment giant. If Comcast were to attempt to outgun AT&T at

this stage, it would need to add a substantial amount of cash to its all-stock bid.

AT&T's offer was worth \$87% a share when it was launched, with \$30.85 of that in cash and the rest in stock. Ma Bell added a second powerful incentive: up to \$5.70 of extra cash per share to top up the offer if the value of its own stock falls. With the company's shares sliding 8% to \$53 on Friday, that provision was immediately called into effect.

To add a cash element to boost its own offer, Comcast would need to line up a powerful backer. The AT&T camp believes Microsoft, which invested \$1bn in Comcast a year ago, will not step into the breach. The assumption is that Bill Gates, already fighting one tough battle in Washington, will not want to dive headfirst into what would become the biggest hostile takeover battle. Also, the Microsoft chairman has a powerful incentive not to take sides: he will not want to antagonise any company that could one day use his company's software in its set-top boxes.

Brian Roberts, Comcast president, aged 37, may find another backer, but has little time left to act. His original merger agreement with MediaOne allowed the company until May 6 to seek a higher offer from another bidder - an unusual provision in any merger deal.

Gambro lifts margins

By Tim Burt in Stockholm

Gambro, the Swedish healthcare and medical technology company, has reported its first upturn in operating margins since embarking on a SKr1.1bn (\$132m) restructuring to cut costs and improve profitability.

The company, announcing first-quarter figures, saw underlying margins rise to 18.4 per cent in the first three months of the year, up sharply from 15.5 per cent in the last quarter of 1998 and the best figures for 12 months. Mikael Liljus, chief executive, said the results signalled the start of a turnaround at Gambro, which has been hit by production problems and reorganisation costs.

He emphasised, however, that the group - one of the world's largest providers of renal care clinics and equipment - was unlikely to achieve its target of margins above 20 per cent before the end of 2000.

Mr Liljus was speaking after Gambro published underlying operating profits of SKr905m for the first quarter, up from SKr885m in the same period of 1998. Sales rose from SKr4.45bn to SKr4.92bn.

Gambro's shares rose almost 10 per cent in Stockholm on Friday, closing up SKr7.50 at SKr86.50.

Iridium faces writ from shareholders

By Christopher Price in London
and Andrew Edgecliffe-Johnson
in New York

Iridium, the troubled satellite phone group, faced further upheaval at the weekend with news that shareholders had filed a lawsuit against it. The move follows the surprise announcement last week that Ed Stano, Iridium vice-chairman and chief executive, had resigned.

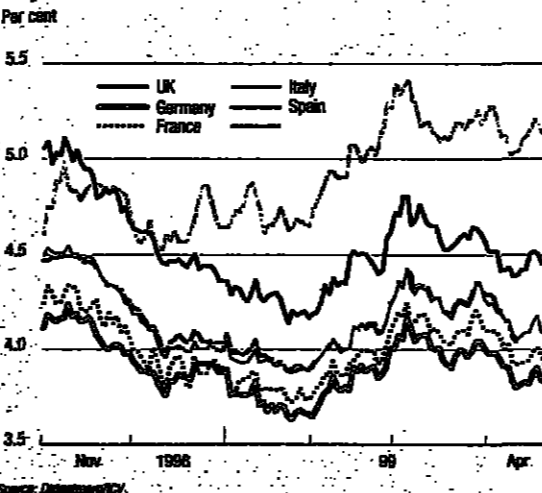
The writ, filed in the District Court of Columbia, alleges that Iridium failed to alert investors to difficulties

with the satellite system and the resulting adverse effect on subscribers and revenues. Iridium is due today to announce its first-quarter results and to explain how it intends to proceed.

When the \$5bn service launched in November it was the first hand-held satellite mobile phone, enabling calls to be made to and from anywhere in the world.

However, after poor sales, Iridium announced last month it would miss its first-quarter subscriber and revenue targets and would breach banking covenants.

10-year benchmark bonds



Source: Dataquest

NOTICE OF REDEMPTION OF

U.S. Bancorp

(the "Issuer")
Formerly First Bank System, Inc.

US\$200,000,000
Subordinated Floating Rate Notes due November 2010

(the "Notes")

NOTICE IS HEREBY GIVEN that all of the outstanding above referenced Notes have been called for redemption by U.S. Bancorp on the next interest payment date, May 28th, 1999.

The Issuer is calling the Notes at the redemption price of 100% of the principal amount thereof together with accrued interest to the redemption date. From and after May 28th, 1999, interest thereon will cease to accrue and be payable.

All outstanding Notes should be presented for payment together with all unremitted Coupons at the offices of the Paying Agents listed below. The amount of any missing unremitted Coupon will be deducted from the sum due for payment. Notes and Coupons will become void unless presented for payment within two years from the relevant date.

Principal Paying Agents:
Citibank N.A.
Building 726,
1931 Burgundy
Belgium

Citibank N.A.
Citicore,
19, Le Parc
Paris 75017 La Defense

Citibank N.A.
London Office as Trustee.

Citibank A.G.
New Mainstrasse 75
40311 Frankfurt am Main

Banque Internationale a Luxembourg S.A.
89, rue de l'Esch
L-1253 Luxembourg

Dated 26th April 1999.

NOTICE OF SUSPENSION PERIOD AND CONVERSION

PRICE ADJUSTMENT TO THE HOLDERS OF

US\$200,000,000
WINDSON ELECTRONICS CORPORATION

(Incorporated with limited liability in Taiwan, Republic of China)

2 per cent Convertible Bonds Due 2003 (the "Bonds")

CUSIP Number: 978575AAB CINS # 795875AAB

NOTICE IS HEREBY GIVEN to the holders of the outstanding Bonds of Windson Electronics Corporation (the "Company"), in accordance with the Terms and Conditions of the Bonds, that the bondholders' right to convert any bond into the Company's Shares shall be suspended and shall not be exercisable during the following period (the "Suspension Period"):

The period from the close of business on January 22, 1999 up to and including April 23, 1999 which is the Company's Annual General Meeting date.

The next Consolidation Date is hereby determined as May 7, 1999. In order to be included in the aforementioned Consolidation Date, bondholders wishing to convert their Bonds must submit their notice of conversion and the Bonds no later than the close of business on May 6, 1999 at the office of the Conversion Agent.

In addition, the Company will not distribute stock dividend to its shareholders and no stock bonus to its employees in 1999. In accordance with the provisions of the Indenture constituting the Bonds, the Conversion Price will not be adjusted and will remain at NT\$18.19.

Bondholders should consult with the Terms and Conditions of the Bonds contained in the Offering Circular dated March 6, 1996 for specific provisions concerning the conversion rights attaching to the Bonds.

CITIBANK WINDSON ELECTRONICS CORPORATION BY: CITIBANK, N.A. as Trustee

Dated: April 26, 1999



Pursuant to Art. 19 and 20 of the By-laws of SKB BANKS D.D. the Management Board of the Bank convenes
the 8th Annual General Meeting of SKB BANKA D.D., SLOVENIA
which will be held on Thursday, 27 May, 1999 at 12:00 noon in the Union Cinema hall, Nazorjeva 2, Ljubljana, Slovenia

For the 8th AGM of the Bank the Management Board proposes the following Agenda:

- 1.0 The opening of the Annual General Meeting (AGM) and the election of the AGM officers, including the chairperson of the AGM and credentials committee.
- 2.0 Speech by the President of the Bank's Management Board
- 3.0 Report on the operations of SKB BANKA D.D. in 1998 together with financial statements and the opinion of the Supervisory Board, the opinion of the auditors PricewaterhouseCoopers d.d., Ljubljana, and the proposal for the distribution of the Bank's profits.

Proposal for the resolution:

- 3.1 The AGM passes the report on the operations of the Bank in 1998 together with the financial statements.
- 3.2 The AGM approves the proposal for the distribution of the Bank's profits achieved in 1998 (Slovenian Accounting Standards):
 - a) Basis for the distribution of profit

• The Bank's profit before tax SIT 1,774,354,885.41
• Other taxation (tax on total bank assets) SIT 328,201,506.00
• Income tax SIT 217,571,533.00
• The Bank's profit after taxation SIT 1,228,581,846.41
 - b) The profit after taxation achieved in 1998 is distributed to:

• Retained profit SIT 1,228,581,846.41
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- c) The retained profit from previous years is distributed to:

• Dividends SIT 429,000,000.00
• Profit sharing of the members of the Supervisory Board SIT 4,000,000.00
• Profit sharing of the members of the Management Board SIT 4,000,000.00
• Profit sharing of employees with special authority SIT 55,000,000.00
- d) SIT 55 of gross dividend per share is paid for 1998. Shareholders entitled to be paid the dividends are those who owned shares registered with Kirišnica deposit centre as at 1 June 1999. The Bank will start paying the dividends on 22 June 1999.

Note: The above figures are prepared in Slovenian Accounting Standards which are the basis for the distribution of unconsolidated profit achieved by the Bank in 1998. According to International Accounting Standards, the unconsolidated profit after taxation in 1998 was SIT 2,083,239,000.00 while the consolidated profit after taxation was SIT 1,758,302,000.00 (Each. rate 31 Dec. 1998: US\$ = SIT 161.20)

- 4.0 Proposal for amendment and supplements to the By-laws of SKB BANKA D.D.
- 5.0 Proposal for the appointment for new members of the Bank's Supervisory Board

Proposal for the resolution: The AGM passes the proposal for amendments and supplements to the By-laws of SKB BANKA D.D.

- 5.1 The AGM of the bank establishes that the four-year term of office of the present members of SKB Banka Supervisory Board has expired.
- 5.2 The AGM appoints the 9 members of the Supervisory Board of SKB BANKA D.D., as follows:

- Karmen Dietner
- Milan Jelenc
- Franc Kosir
- Andrej Lasic
- Volker Neuschütz
- Dragica Filipovic-Chaffey
- Viktorija Potocnik
- Katarina Zivko Pregl
- Bojan Simonic

- 5.3 The Supervisory Board members of SKB BANKA D.D. are appointed for a period of 4 (four) years and can be re-appointed after the expiry of their terms of office.
- 5.4 The AGM of SKB BANKA D.D. states that the newly nominated Supervisory Board members have been appointed in line with the Banking Law and the Companies Act.
- 5.5 A member of the Supervisory Board is entitled to a fee for participation in a session of DEM 300 and the Chairman of the Supervisory Board is entitled to DEM 400 in the total conservative rate of the Bank of Slovenia as at the day of the session.

- 6.0 Proposal for the appointment of the auditors for SKB BANKA D.D. for 1999:

Proposal for the resolution: The AGM of the Bank appoints the auditors PricewaterhouseCoopers d.d., Ljubljana, to carry out the audit of the Bank's operations in 1999.

Cvetka Seck
President of the Management Board of SKB BANKA D.D.

PARTICIPATION AT THE BANK'S AGM

The AGM of the Bank may be attended by the shareholders or their proxies.

Shareholders of the Bank are entitled to the share register of SKB BANKA D.D. kept by Kirišnica deposit centre, Ljubljana, and to apply to participate in the Bank's AGM at least 3 days before the AGM. They should be allowed to participate in the AGM and to cast votes.

Shareholders of the Bank or their proxies may apply to participate:

- personally at the headquarters of the Bank, Floor VI, Rimskega 10, Ljubljana.
- by fax on: +386 (0)1 52 99 52 marked "for the AGM of SKB BANKA D.D."
- by e-mail: info@skb.si, marked "for the AGM of SKB BANKA D.D."
- by a registered mail delivery marked "for the AGM of SKB BANKA D.D." at least 3 (three) days before the AGM.

THE LAST DAY TO APPLY IS MONDAY 24 MAY 1999.

AGM participants are requested to report to the representatives of SKB BANKA D.D. at the check-in point (entrance hall of the Union cinema hall) half an hour before the beginning of the AGM. By signing the list of applicant shareholders, shareholder or a proxy confides his or her participation in the AGM of the Bank and receives the ballot papers. In order to participate in the AGM of SKB BANKA D.D., individuals must show their personal ID, while the proxies must also show a written power.

MATERIALS FOR THE AGM: The agenda regarding the proposed amendments and supplements to the Bank's By-laws will be available each working day between 10am and 12am from Wednesday, 28 April 1999 onwards in the Secretariat of the Bank, room NG001 Adrijanova 4, Ljubljana, Slovenia, together with all other materials for the 8th AGM of SKB BANKA D.D., which will be available from 10 May 1999. There, the shareholders can also receive the complete set of materials for the AGM from 19 May 1998 onwards.

ADDITIONAL AGM: In case the quorum of the General Meeting of the Bank is not achieved at the time announced, the shareholders of SKB BANKA D.D. will meet again on the same day and at the same place at 12:30pm. In such case the AGM will adopt any valid decisions irrespective of the volume of shares capital represented by the participating shareholders.

COMPANIES & FINANCE: INTERNATIONAL

Exchanges in merger plan

By Edward Alden in Toronto

Canada's two largest junior stock exchanges are to merge to form a single Canadian junior capital market.

The agreement, which must still be ratified by the member companies of each exchange, is an important step in the larger restructuring of Canadian stock exchanges agreed in principle last month.

The Alberta and Vancouver stock exchanges plan to begin operating as a single entity by the end of this year.

The new exchange, which will include the over-the-counter Canadian Dealing Network, will focus on raising capital for junior mining and energy companies, as well as high-technology start-ups. The small Winnipeg Stock Exchange has also been invited to join the new exchange.

It will operate nationally as a subsidiary of the Toronto Stock Exchange, which will become Canada's sole exchange for larger companies. Small companies

from the Montreal Stock Exchange will be listed on the junior exchange while larger companies will be listed in Toronto.

The plan is expected to face the greatest opposition in Quebec, where some smaller companies object to being listed on an exchange in which the leading operations are in English-speaking western Canada. Under the restructuring plan, Montreal will become Canada's only futures exchange but will cease to trade equities.

What was expected to be a difficult fight over the location of the new junior exchange was defused by an agreement to split the functions. Vancouver will be the trading centre while management, planning and corporate finance will have headquarters in Calgary.

Separately, the chairman of the Toronto Stock Exchange said in an interview that the restructuring plan would not be derailed by the surprise resignation of Rowland Fleming, TSE president, last week.

EMERGING MARKETS EQUITIES RECOVERY IS A SIGN OF HIGHER STABILITY OR SIMPLY LIQUIDITY-DRIVEN, DEPENDING ON WHOM YOU ASK

Institutions tempted to test Asian waters

By Peter Montagnon, Asia Editor

Governments do not like hedge funds much when they are selling a nation's currency or its stock market. When they come in as buyers, though, they are a bit more welcome.

Even Mahathir Mohamad, Malaysia's notoriously intractable prime minister, had some grudging words of satisfaction last week at the way foreign buyers were helping boost Malaysian equities and fuelling demand for its international bonds.

For leaders such as Dr Mahathir, the improved tone of the markets is a comforting confirmation that the recession which has caused the region so much pain over the past 18 months is finally on the wane. For market practitioners, though, the difficult task remains sorting out how much of this year's astonishing gains by Asian equity markets are driven by liquidity or real fundamental improvement.

Many experts remain worried that liquidity is driving the markets to unwarranted

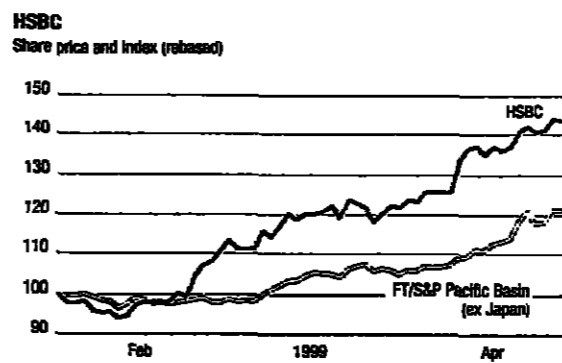
high. "This could all end quite abruptly," says Charles Brock, Asia director at Foreign and Colonial in London.

Mr Brock argues that the gains, which have seen the Hong Kong, Singapore and South Korean markets rise around 30 per cent since the start of the year, are driven basically by liquidity flows.

Some of this liquidity has been generated within Asia as a result of lower interest rates and high balance of payments surpluses, he says. Some reflects an inflow from international emerging market investors, some is a spill-over of inflows into Japan and some is covering by hedge funds.

For Mr Brock the markets have been driven up too far too fast. The Hang Seng index is only about 3,000 points short of its previous peak, but since then property prices in Hong Kong have halved and real interest rates have turned from negative to positive. A sharp improvement in the fundamental background is now required to justify these levels, he says.

Others are more sanguine. One reason is that corporate



earnings in Asia are set to rebound much more sharply than the real economy as exceptional items like provisions for property and loan losses fall out of company and bank accounts.

According to Dan Fineman at Jardine Fleming in Hong Kong, earnings in non-Japan Asia will grow 38 per cent this year, a remarkable rebound from a 32 per cent fall in 1998. Admittedly the underlying growth will still only be in the high single digit range, but even this will be faster than nominal GDP growth because of the

high level of operational gearing at many companies.

On a forward looking basis Hong Kong shares are trading on a price/earnings ratio of around 17 which is not cheap, but nominal interest rates have come down so valuations do not look quite so stretched, he argues.

Peter Churchouse at Morgan Stanley in Hong Kong is somewhat less bullish on earnings but agrees that a big boost is in the offing. Provisions created by Hang Seng listed companies last year were HK\$43bn (US\$5.5bn) against stated

earnings of HK\$124bn. If only half those provisions drop out this year there will still be a substantial boost to earnings from that factor alone.

Moreover, the really big international investors have only just begun to sit up and take notice, he says. While a boost came initially from dedicated regional funds

winding down their cash positions, there has not yet been a large asset allocation shift by broader-based emerging market investors. "In the last couple of weeks we have seen a bit of evidence of asset allocation coming, but don't for a moment think it is a flood."

For the money to flow freely requires two basic conditions to be met. One is that the signs of incipient recovery continue. That

there are such signs - from the sharp turnaround in exports from Taiwan to rising car sales in Malaysia - is beyond dispute.

But the momentum could easily be interrupted by renewed weakness in the Japanese or Chinese economy, political turmoil in Indonesia at election time,

or by a collapse on Wall Street.

The other is that investors will increasingly have to diversify away from large capitalisation stocks in larger markets, which, as the chart suggests, have substantially outperformed the market as a whole and now look fully valued.

So far the desire to climb aboard the bandwagon has been matched by a desire for liquidity, a factor which some argue helps explain the recent gains in Malaysia, a market with a relative preponderance of larger issues. Smaller markets like Thailand and the Philippines have underperformed in the last run-up in prices.

But a move into these less liquid markets - or into the second line issues in larger markets like Hong Kong - requires a great deal of courage and a firm belief that what is happening now is the start of a real economic rebound. The capitalisation of Asian markets has shrunk dramatically during the recession, leaving them much less liquid than before. Getting out is a lot harder than getting in.

Little sign of recovery in prices of soft commodities

By Paul Solman

Coffee, sugar and cocoa prices have plunged to historical lows and show little sign of recovering despite better news among other commodities.

Raw sugar futures prices have halved since the beginning of the year to their weakest for 13 years, while white sugar prices are at a record low, having lost a third of their value this year.

Cocoa has hit a six-year low in London, losing more than a quarter of its value since January, and coffee has shed about 20 per cent this year.

The falls are in striking contrast to crude oil, which has jumped 45 per cent in four months to more than \$15 a barrel in London.

Sugar's problem is burgeoning supplies. The global market has been in surplus since 1994, and top producers expect bumper crops.

Brazil, which last year overtook the European Union as the world's biggest producer, has also dragged prices down.

Heavy oversupply in its alcohol market has persuaded cane growers to divert their crops into sugar production. Brazil is expected to produce 19m tonnes of sugar in the current season against 16m last time.

On top of that, the devaluation of the Real has encouraged exports. Raw sugar prices in New York are now around 4.5 cents a pound against 10 cents this time last year, while London white sugar futures have

fallen to \$167 a tonne from \$276.

Booming supplies have also hit coffee prices, with leading producers such as Brazil and Indonesia on track for record crops this year and futures prices at their lowest for more than two years.

Even Hurricane Mitch, which devastated central America's coffee industry last year, has failed to prevent a global coffee surplus.

The drop in cocoa prices is more difficult to explain. Analysts say the market is in deficit this season, but demand has slowed and cocoa grindings in Germany, Europe's biggest cocoa bean importer, fell 22 per cent in the first quarter compared with the same period last year.

Polish shipyard may bid for Kvaerner units

By Christopher Bobinski in Warsaw and Valeria Skid in Oslo

Stocznia Gdynia, the Polish shipbuilder, is considering a bid for all or part of the shipbuilding activities that Kvaerner, the troubled Anglo-Norwegian engineering and construction group, has said it wants to sell.

"We are considering participating in resolving Kvaerner's problems with its shipbuilding divisions," said Janusz Szlanta, Gdynia chief executive.

Were Stocznia Gdynia to be successful in taking over some of Kvaerner's assets then this would be the first time that a company in a post communist country had

acquired a corporate target in western Europe.

However, shipbuilding experts played down the possibility of Gdynia being able to parake in Kvaerner's planned exit from its shipbuilding activities. Also, it is understood that Kvaerner has yet to receive an approach from Stocznia Gdynia.

Although Gdynia has some similarities with Kvaerner's German yard in

Wismar, analysts questioned whether Gdynia would have the financial muscle to complete a deal. Any interested company would have to absorb part of NKr2bn-NKr3bn (\$256m-\$385m) in net debt depending on the type of deal, as Kvaerner is considering joint ventures, a sale and a spin-off to shareholders.

Moreover, Kvaerner would prefer to sell its main yards in Finland, Germany and the

US, representing more than NKr7bn of its NKr12bn in shipbuilding revenues, as a package. Gdynia, in comparison, had only \$400m in sales last year.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Deutsche Telekom (Ger)	Telecom Italia (Italy)	Telecoms	\$62bn	Merger of equals
Roche (Switz)	Conange (Bermuda)	Medical systems	\$11bn	EU green light
Endesa (Spain)	Endesa Chile (Chile)	Power	\$2.15bn	Duke bows out
Snapp-on (US)	Unit of Sandvik (Sweden)	Hand tools	\$389m	Sector dominance
Centex Corp (US)	Fairclough Homes (UK)	Construction	\$175m	Amec disposal
Incinerve (Denmark)	Wap Rahnings (Germany)	Cleaning	\$118m	Electra exit
SI (UK)	IT (Netherlands)	Comp srvc	\$97m	Majority stake
Capital Z (US)	British Marine (UK)	Insurance	\$35m	BM demutualising
Comerstone (US)	Kode International (UK)	Electronics	\$23m	Recommended bid
C&W (UK)	IDC (Japan)	Telecoms	n/a	Increased offer

AKZO NOBEL

The Board of Management of Akzo Nobel N.V. announces that the Annual Meeting of Shareholders, held in Arnhem on April 22, 1999, has decided to distribute for the fiscal year 1998 a dividend of NLG 2.15 per common share of NLG 5. An interim dividend of NLG 0.65 was made payable on November 16, 1998. The final dividend of NLG 1.50 per common share, less 25% withholding tax, will be payable from May 10, 1999.

Holders of CF-certificates will automatically receive the dividend via the depository where their shares were deposited on April 23, 1999, after the close of trading.

Under the double taxation convention between the Netherlands and the United Kingdom, shareholders resident in the UK may claim a refund or reduction in the rate of withholding tax charged on the dividend from 25% to 15% by submitting form IB 92 GRB signed by the tax authorities of their place of residence. If no such form is submitted, withholding tax will be deducted at the rate of 25%. United Kingdom tax at the standard rate will be deducted, unless claims are accompanied by the appropriate affidavit forms.

Information concerning any of the above-mentioned documents may be obtained through your own (deposit) bank.

Shareholders still having "K" certificates must first present these for exchange at one of the following addresses before they can receive the dividend:

principal office for exchange and exchange office for the Netherlands:
ABN AMRO Bank N.V., in Amsterdam;
in Belgium: Generale Bank, in Brussels;
in Luxembourg: Banque Générale du Luxembourg S.A. in Luxembourg;
in Germany: Deutsche Bank AG in Frankfurt a.M.;
in France: Lazard Frères & Cie in Paris;
in Austria: Bank Austria AG, Creditanstalt AG, in Vienna;
in Sweden: S E B, Securities Services in Stockholm;
in Switzerland: Credit Suisse First Boston, Credit Suisse, in Zurich.

Arnhem, April 26, 1999

Akzo Nobel N.V.

Notice of Change of Address of the Principal Paying Agent for

National Westminster Bank Plc
£100,000,000 11% Subordinated Notes 2001

NOTICE IS HEREBY GIVEN that on 1 May 1999 National Westminster Bank Plc, Principal Paying Agent for the above issue, will be moving to the following address:-

P O Box No 10
Turnpike House
123 High Street
Crawley
West Sussex
RH10 1DQ

National Westminster Bank Plc
Principal Paying Agent
26 April 1999



home fixers, wreck divers, cyber buyers

Refining the art of domestic delegation, searching for sunken Filipino treasure and bidding for Michael Owen's shorts on the internet. All in how to spend it colour magazine, free with the Weekend FT this Saturday.

CONNECT

LIFE's New Economic Trading Platform

MARKETS WEEK

April 26 - May 2

CONNECT

LIFE's New Economic Trading Platform

NEW YORK

By Tracy Corcoran

This week's "expected news" that employment costs remained benign in the first quarter should anchor long-term bond yields and short-term rates, for the time being, renaissance fears that a Fed tightening is drawing near, according to Salomon Smith Barney.

The first-quarter employment costs index, due on Thursday, is expected to show a gain of 0.6 per cent, according to Standard & Poor's MIMS, down from 0.7 per cent.

Analysts at Donaldson, Lufkin & Jenrette warned that "upcoming economic statistics are likely to reveal continued strength in the US economy". But they

concluded that "we do not believe a firming will be undertaken" and predicted 30-year bond yields will end the year at 5.75 per cent.

Among other data due this week are April consumer confidence numbers on Tuesday and durable goods orders on Wednesday.

Benchmark yield curve

(%)

Source: Merrill Lynch

10 years on market convention

23/04/99

Month ago

Source: Merrill Lynch

10 years on market convention

23/04/99

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Source: Merrill Lynch

LONDON

By Steve Thompson

After last week's roller-coaster performance, which saw the two main FTSE indices, the 100 and the All-Share hit record levels, fall steeply and then rally, in theory it should be a quieter run-up to the May Day bank holiday weekend.

There is little in the way of domestic economic news, outside of the trade figures - February global numbers and March non-EU figures - and the Confederation of British Industry's April survey of industrial trends.

The latter will give much-needed pointers to the state of manufacturing. Last week saw conflicting economic signals with

strong earnings numbers causing unease in those looking for further cuts in UK interest rates, although a subdued retail sales figure for March, up 0.4 per cent, helped to restore some of those hopes.

The market's recent turbulence, which saw the FTSE 100 slide almost 200

Benchmark yield curve

(%)

Source: Merrill Lynch

10 years on market convention

23/04/99

Month ago

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10 years on market convention

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Source: Merrill Lynch

FRANKFURT

By Tony Barber

A growing belief that the German economy has turned the corner is finally injecting some life into the stock market, but investor sentiment remains fragile.

The Dax 30 blue-chip index has crept upwards for the past two weeks, closing last Friday at 5,185.42, as the market detects signs of a modest return of business confidence and anticipates a recovery in German exports in the second half of this year.

Eckhard Schulte of IBJ Research in Frankfurt says the negative fall-out from the emerging markets crisis has been overcome, and the inventory cycle is pointing to an economic turnaround from this summer. However, prospects for a tax cut for the business sector remain uncertain as they would require determined spending cuts by the centre-left coalition government.

The coalition's unity is holding despite strains caused by criticism of the

Benchmark yield curve

(%)

Source: Merrill Lynch

10 years on market convention

23/04/99

Month ago

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10 years on market convention

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10 years on market convention

23/04/99

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Source: Merrill Lynch

TOKYO

By Naoko Nakamura

The wave of announcements of mergers and acquisitions, joint ventures, restructuring and debt forgiveness looks set to continue this week, as corporate Japan struggles to reshape itself.

In particular, the focus on the telecommunications sector will continue, as investors await the outcome of the bidding war over IDC, the Japanese carrier. They will also pay close attention to Japan Telecom amid news that AT&T and British Telecommunications are each likely to take a 15 per cent stake in the company.

Some of the smaller securities houses will kick off the week by announcing their 1999 results. These follow the announcement of large net losses from brokers such as Nomura, Daiwa and Nikko last week.

The market will also continue to monitor the activities of foreign investors who have been investing heavily in Japanese equities this year. "Foreign investors

Benchmark yield curve

(%)

Source: Merrill Lynch

10 years on market convention

23/04/99

Month ago

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10 years on market convention

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Month ago

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10 years on market convention

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Source: Merrill Lynch

10 years on market convention

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EURO MARKETS

25

FTSE Actuaries Share Indices

European series

Indices of companies listed on the London Stock Exchange

Apr 23

National & Regional

FTSE 100

FTSE 250

FTSE 350

FTSE 400

FTSE 500

FTSE 600

FTSE 700

FTSE 800

FTSE 900

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European leisure stocks find place in sun

The return of consumer confidence has given the sector its own taste of the feelgood factor, writes Elizabeth Robinson

Warmer sentiment towards cyclical stocks has helped the leisure sector within the Eurotop 300 bask in a 23 per cent outperformance of the index since the start of the year.

The sector only contains three stocks and while some common factors have been at play to push their share prices up in tandem, each company has also enjoyed its own unique reasons for the growth.

The return of consumer confidence gave each company a boost. Granada, Ladbroke and Accor - a kickstart towards the end of 1998, although it took the market a while to realise it. The annual results of the companies, which are weighted towards the hotel industry, revealed an industry which was not suffering as badly as analysts had feared when the Bank of England raised its interest rates in June.

"The leisure sector in the UK was so out of favour at the back end of 1998. Instead what we have seen is a

change from growth stocks into cyclical as people become more relaxed about the leisure market," says Jason Holden, leisure analyst at Alex Brown.

Two-thirds of the sector are UK companies, and the gradual easing of interest rates over the past few months made consumers more comfortable about spending money on leisure.

Granada, the UK's biggest hotelier with 18,000 rooms, and Ladbroke, which operates the Hilton brand outside the UK, each reported increased occupancy and higher profits for 1998.

Although the leisure sector within the Eurotop 300 is small and weighted towards the UK, analysts say it is indicative of the performance of wider European leisure stocks, which themselves tend to be UK-based.

The figures reinforced what hotel companies had been trying to communicate for a while: that fears of a downturn have been greatly exaggerated. Accor's results at the end of March con-

firm the picture was being repeated elsewhere in Europe.

The early months of 1999 gave each company reason to expect further growth. "When there's a bit more money around, people will spend it on leisure," says Bruce Jones, leisure analyst at Merrill Lynch.

The market has been over-cautious on the outlook for 1999. As the year shapes up, it actually looks like a year of modest growth for hotel groups.

There are several years of upswing still to go. However none of these companies is a pure hotel stock. Accor, which operates hotel brands such as Novotel and Ibis, derives around 55 per cent of its revenues from hotels, its largest division, with the rest coming from restaurants, casinos and its shares in Europarc and Carlson Wagonlit Travel.

Ladbroke is changing its name to Hilton to reflect its new structure, which will derive around two-thirds of its profits from hotels, as it shifts from the gaming operations that make up the balance.

Granada, meanwhile, operates on the twin pillars of hospitality and media, with this latter fast-growing division providing an extra boost. While the company has seen profits grow from its hotel arm, its exposure to media has sustained interest in the company.

"Ovidius was making some people a bit nervous in its early stages, but that is shaping up quite reason-

ably," says Mr Jones of Merrill Lynch.

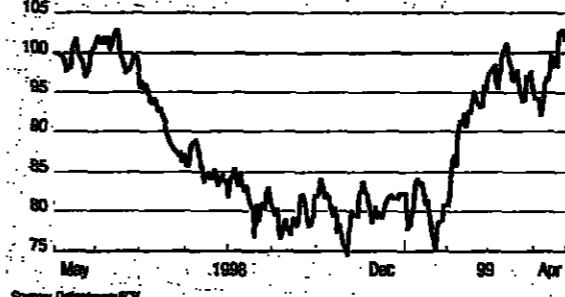
Ladbroke's purchase of Stakis earlier this year not only reinvigorated its share price, but sparked off talk of further consolidation of hotels in Europe, fuelling interest in these stocks.

While these shares are currently enjoying favour, analysts are looking warily eastwards at the unfolding conflict in the Balkans, which they fear could have an impact on tourist stocks. Nigel Hicks of Dresner Kleinwort Benson says: "You only need a bit of adverse sentiment and Ladbroke, Granada and Thistle are likely candidates to be hit because of the amount of their trading from London hotels."

Another analyst is more fearful. "While there is no real serious threat of terrorist activity, hotel stocks will be safe. If Serbians abroad dropped a bomb somewhere like London or Paris, and if it were blown up in the US press, you could kiss the hotel stocks goodbye."

European Leisure, Entertainment & Hotels sector

Relative to the FTSE Eurotop 300 index



Source: DataStream

In 2000 there should be further reasonable progress."

While all three stocks have benefited from the cycle, some analysts suggest that the UK and the French elements are at different stages of the upturn.

Nigel Reed of Paribas says that the turnaround in UK hotels started earlier than in France. "There's been a year and a quarter more recovery in the UK than there has been in Europe. France is half-way up the cycle and

CURRENCIES, MONEY & BONDS

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Apr 23

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Share Service
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OFFSHORE AND OVERSEAS

BERMUDA
(ESA RECOGNISED)

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BERMUDA
(REGULATED) (*)

	Settling Price	Change Price	Yield (Est.)	Ex-Div.
Anderson Investment Management Ltd				
Anderson Fund	74.00	0.00		
Anderson Fund II	74.00	0.00		
Boston Fund	74.00	0.00		
Boston Fund II	74.00	0.00		
Boston Fund III	74.00	0.00		
Boston Fund IV	74.00	0.00		
Boston Fund V	74.00	0.00		
Boston Fund VI	74.00	0.00		
Boston Fund VII	74.00	0.00		
Boston Fund VIII	74.00	0.00		
Boston Fund IX	74.00	0.00		
Boston Fund X	74.00	0.00		
Boston Fund XI	74.00	0.00		
Boston Fund XII	74.00	0.00		
Boston Fund XIII	74.00	0.00		
Boston Fund XIV	74.00	0.00		
Boston Fund XV	74.00	0.00		
Boston Fund XVI	74.00	0.00		
Boston Fund XVII	74.00	0.00		
Boston Fund XVIII	74.00	0.00		
Boston Fund XIX	74.00	0.00		
Boston Fund XX	74.00	0.00		
Boston Fund XXI	74.00	0.00		
Boston Fund XXII	74.00	0.00		
Boston Fund XXIII	74.00	0.00		
Boston Fund XXIV	74.00	0.00		
Boston Fund XXV	74.00	0.00		
Boston Fund XXVI	74.00	0.00		
Boston Fund XXVII	74.00	0.00		
Boston Fund XXVIII	74.00	0.00		
Boston Fund XXIX	74.00	0.00		
Boston Fund XXX	74.00	0.00		
Boston Fund XXXI	74.00	0.00		
Boston Fund XXXII	74.00	0.00		
Boston Fund XXXIII	74.00	0.00		
Boston Fund XXXIV	74.00	0.00		
Boston Fund XXXV	74.00	0.00		
Boston Fund XXXVI	74.00	0.00		
Boston Fund XXXVII	74.00	0.00		
Boston Fund XXXVIII	74.00	0.00		
Boston Fund XXXIX	74.00	0.00		
Boston Fund XL	74.00	0.00		
Boston Fund XLI	74.00	0.00		
Boston Fund XLII	74.00	0.00		
Boston Fund XLIII	74.00	0.00		
Boston Fund XLIV	74.00	0.00		
Boston Fund XLV	74.00	0.00		
Boston Fund XLVI	74.00	0.00		
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**CAYMAN ISLANDS
(REGULATED) (**)**

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Royal Bank of Canada (TSX:RY) - Const.												
Company	Share Price	Change	High	Low	Open	Close	Volume	Value	Market Cap	Dividend	Yield	P/E
Royal Bank of Canada (TSX:RY)	45.12	0.10	45.20	45.00	45.10	45.12	1,200,000	54,144	1,200,000	0.40	0.89%	12.5
Bank of Montreal (TSX:BMO)	38.50	0.05	38.60	38.40	38.50	38.50	1,100,000	42,350	1,100,000	0.30	0.78%	11.0
Bank of Nova Scotia (TSX:BNS)	35.20	0.02	35.30	35.10	35.20	35.20	1,000,000	35,200	1,000,000	0.25	0.71%	10.5
Bank of Toronto (TSX:TD)	32.10	0.01	32.20	32.00	32.10	32.10	900,000	28,890	900,000	0.20	0.62%	10.0
Bank of the North West (TSX:BNW)	28.50	0.01	28.60	28.40	28.50	28.50	800,000	22,800	800,000	0.15	0.53%	9.5
Bank of the West (TSX:WTS)	25.00	0.01	25.10	24.90	25.00	25.00	700,000	17,500	700,000	0.10	0.40%	9.0
Bank of the South (TSX:BS)	22.00	0.01	22.10	21.90	22.00	22.00	600,000	13,200	600,000	0.08	0.36%	8.5
Bank of the East (TSX:BE)	19.00	0.01	19.10	18.90	19.00	19.00	500,000	9,500	500,000	0.06	0.32%	8.0
Bank of the West (TSX:WTS)	16.00	0.01	16.10	15.90	16.00	16.00	400,000	6,400	400,000	0.04	0.25%	7.5
Bank of the South (TSX:BS)	13.00	0.01	13.10	12.90	13.00	13.00	300,000	3,900	300,000	0.03	0.23%	7.0
Bank of the East (TSX:BE)	10.00	0.01	10.10	9.90	10.00	10.00	200,000	2,000	200,000	0.02	0.20%	6.5
Bank of the West (TSX:WTS)	7.00	0.01	7.10	6.90	7.00	7.00	100,000	700	100,000	0.01	0.14%	6.0
Bank of the South (TSX:BS)	4.00	0.01	4.10	3.90	4.00	4.00	50,000	200	50,000	0.00	0.02%	5.5
Bank of the East (TSX:BE)	1.00	0.01	1.10	0.90	1.00	1.00	25,000	250	25,000	0.00	0.01%	5.0
Bank of the West (TSX:WTS)	0.50	0.01	0.51	0.49	0.50	0.50	12,500	625	12,500	0.00	0.01%	4.5
Bank of the South (TSX:BS)	0.25	0.01	0.26	0.24	0.25	0.25	6,250	312	6,250	0.00	0.00%	4.0
Bank of the East (TSX:BE)	0.12	0.01	0.13	0.11	0.12	0.12	3,125	156	3,125	0.00	0.00%	3.5
Bank of the West (TSX:WTS)	0.06	0.01	0.07	0.05	0.06	0.06	1,562	78	1,562	0.00	0.00%	3.0
Bank of the South (TSX:BS)	0.03	0.01	0.04	0.02	0.03	0.03	781	39	781	0.00	0.00%	2.5
Bank of the East (TSX:BE)	0.01	0.01	0.02	0.00	0.01	0.01	390	19	390	0.00	0.00%	2.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	195	9	195	0.00	0.00%	1.5
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	97	4	97	0.00	0.00%	1.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	48	2	48	0.00	0.00%	0.5
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	24	1	24	0.00	0.00%	0.2
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	12	0	12	0.00	0.00%	0.1
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	6	0	6	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	3	0	3	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	1	0	1	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the East (TSX:BE)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the West (TSX:WTS)	0.00	0.01	0.01	0.00	0.00	0.00	0	0	0	0.00	0.00%	0.0
Bank of the South (TSX:BS)	0.00	0.01	0.01	0.00								

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مكتبة الامير

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

JERSEY (FSA RECOGNISED)										LUXEMBOURG (FSA RECOGNISED)										JERSEY (REGULATED)**										LUXEMBOURG (REGULATED)**										OFFSHORE INSURANCES									
Old Mutual Int'l Fd Mgmt (Sole of Man) Ltd										Mercury Asset Mgmt Channel Islands Ltd										ABSA Offshore Fund Managers (Jersey) Ltd										ABSA Offshore Fund Managers (Jersey) Ltd										ABSA Offshore Fund Managers (Jersey) Ltd									
JERSEY (FSA RECOGNISED)										LUXEMBOURG (FSA RECOGNISED)										JERSEY (REGULATED)**										LUXEMBOURG (REGULATED)**										OFFSHORE INSURANCES									
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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €									
Country	Index	High	Low	52w High	52w Low	Change	%	Vol	Open
Austria (Apr 23) 1 € = 13.7603 S									
ATX	3,812.15	3,812.15	3,812.15	3,812.15	3,812.15	0.00	0.00	1,234,567	3,812.15
Belgium (Apr 23) 1 € = 40.3390 F									
BEL20	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	0.00	0.00	567,890	3,456.78
Germany (Apr 23) 1 € = 1.9360 D									
DAX	3,210.98	3,210.98	3,210.98	3,210.98	3,210.98	0.00	0.00	2,345,678	3,210.98
France (Apr 23) 1 € = 6.5595 F									
CAC40	3,567.89	3,567.89	3,567.89	3,567.89	3,567.89	0.00	0.00	1,890,123	3,567.89
Italy (Apr 23) 1 € = 1,936.00 L									
FTSEMIB	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	0.00	0.00	987,654	2,345.67
Netherlands (Apr 23) 1 € = 2.2037 F									
AEX	3,123.45	3,123.45	3,123.45	3,123.45	3,123.45	0.00	0.00	678,901	3,123.45
Portugal (Apr 23) 1 € = 200.4820 Esc									
VLX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Spain (Apr 23) 1 € = 166.3860 Ptas									
IBEX35	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	0.00	0.00	789,012	3,456.78
Sweden (Apr 23) 1 € = 10.4657 Kron									
OMXS30	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Switzerland (Apr 23) 1 € = 7.4603 Sfr									
SMI	3,210.98	3,210.98	3,210.98	3,210.98	3,210.98	0.00	0.00	1,567,890	3,210.98
United Kingdom (Apr 23) 1 € = 0.7936 Pounds									
FTSE100	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	0.00	0.00	2,123,456	3,456.78
Greece (Apr 23) 1 € = 340.750 Dr									
ATHEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	456,789	1,234.56
Ireland (Apr 23) 1 € = 0.7876 Pounds									
ISEQ100	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	234,567	1,234.56
Finland (Apr 23) 1 € = 5.9457 Marks									
HEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Poland (Apr 23) 1 € = 4.0339 Zloty									
WIG	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	567,890	1,234.56
Czech Republic (Apr 23) 1 € = 136.760 Koruna									
PSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Hungary (Apr 23) 1 € = 200.4820 Forint									
BUX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Slovakia (Apr 23) 1 € = 34.0682 Koruna									
SSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	567,890	1,234.56
Slovenia (Apr 23) 1 € = 237.760 Tolar									
SSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Lithuania (Apr 23) 1 € = 10.4657 Litai									
VLX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Latvia (Apr 23) 1 € = 10.4657 Lats									
VLX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Estonia (Apr 23) 1 € = 10.4657 Krooni									
VLX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Cyprus (Apr 23) 1 € = 200.4820 Cypriot Pounds									
AX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Malta (Apr 23) 1 € = 200.4820 Maltese Pounds									
AX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Luxembourg (Apr 23) 1 € = 40.3390 F									
BEL20	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	0.00	0.00	567,890	3,456.78
Iceland (Apr 23) 1 € = 10.4657 Krona									
OMXS30	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Norway (Apr 23) 1 € = 10.4657 Kroner									
OMXS30	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Denmark (Apr 23) 1 € = 6.5595 DKK									
OMXS30	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Finland (Apr 23) 1 € = 5.9457 Marks									
HEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Sweden (Apr 23) 1 € = 10.4657 Kroner									
OMXS30	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Ireland (Apr 23) 1 € = 0.7876 Pounds									
ISEQ100	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	234,567	1,234.56
Portugal (Apr 23) 1 € = 200.4820 Esc									
VLX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Greece (Apr 23) 1 € = 340.750 Dr									
ATHEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	456,789	1,234.56
Turkey (Apr 23) 1 € = 1.8037 Lira									
BIST	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	567,890	1,234.56
Russia (Apr 23) 1 € = 6.5595 Ruble									
MOEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Ukraine (Apr 23) 1 € = 10.4657 Hryvnia									
OMXS30	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Poland (Apr 23) 1 € = 4.0339 Zloty									
WIG	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	567,890	1,234.56
Czech Republic (Apr 23) 1 € = 136.760 Koruna									
PSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Hungary (Apr 23) 1 € = 200.4820 Forint									
BUX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Slovakia (Apr 23) 1 € = 34.0682 Koruna									
SSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	567,890	1,234.56
Slovenia (Apr 23) 1 € = 237.760 Tolar									
SSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	345,678	1,234.56
Lithuania (Apr 23) 1 € = 10.4657 Litai									
VLX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	0.00	0.00	123,456	1,234.56
Latvia (Apr 23) 1 € = 10.4657 Lats									
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OMXS30	1,234.56	1,234.56	1,234.56						

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FT GUIDE TO THE WEEK

MONDAY 26

Kosovo tops agenda

Kosovo will top the agenda of today's European foreign ministers' meeting in Luxembourg. Discussions will focus on possible further sanctions against Yugoslavia and aid for Albania and Montenegro to cope with the flow of refugees. Ministers will also discuss EU-US relations in the light of trade disputes over bananas, hormone-treated beef and aircraft hushkites; the development of a common EU strategy on Russia; the EU's Amsterdam treaty, which takes effect on May 1; and the pay, terms and conditions of Euro MPs. On Tuesday, the EU "Troika", comprising German, Austrian and Finnish foreign ministers and the European Commission, will meet the Albanian foreign minister and the Macedonian prime minister to discuss EU support for these countries.

UN spotlight

The United Nations committee against torture and the UN committee on economic, social and cultural rights begin separate three-week sessions in Geneva. The task of both committees is to review compliance by all countries that have ratified the relevant UN conventions. In addition to examining reports by 10 of the 114 signatories to the torture convention, including Liechtenstein, Luxembourg, Morocco and Egypt, the committee will examine evidence of systematic torture in some countries and individual complaints.

Kim calls in chaebools

Kim Dae-jung, president of South Korea, has summoned the heads of large family-run conglomerates, or chaebools, to a meeting on the country's economic troubles. Kim has vowed to take action against those that are slow to reduce debt and overcapacity.

The case for change

The most fundamental reforms to the English civil justice system in more than a century are to be implemented today. The Woolf reforms, which give judges stronger powers to manage cases, introduce new fast-track procedures and encourage use of mediation, are intended to make it easier and cheaper to settle legal disputes and to relieve pressure on the court system.

Air power

The German wind energy association and the German renewable energy association meet in Bonn for a conference on what they can contribute to Germany's energy needs.



Sweeping changes aimed at cutting costs and saving time in Britain's civil justice system come into effect today

Annan in Germany

Kofi Annan, the United Nations secretary-general, visits Germany for talks with officials on the crisis in Kosovo, the German presidency of the European Council and the recent Nato summit. He is then expected to travel to Moscow.

Holidays

Pakistan, Australia, Algeria, Bahrain, Lebanon.

TUESDAY 27

Palestinian decision

Palestinian leaders are due to meet in Gaza to decide whether to declare an independent state on May 4, when a five-year interim peace deal with Israel expires. Yasser Arafat, the Palestinian leader, has faced strong pressure from the US, Europe, Jordan and Egypt to postpone a declaration.

Georgia joins up

Georgia becomes the 14th member of the Council of Europe at a ceremony in Strasbourg attended by Eduard Shevardnadze, the Georgian president.

Bankers assemble

The International Monetary Fund and the World Bank spring meetings get

under way in Washington with a meeting of ministers from the Group of 10 industrialised nations.

Holidays

Slovenia, Yugoslavia, Bangladesh, India, Pakistan, Sierra Leone, South Africa.

WEDNESDAY 28

Beef row report

The dispute settlement body of the World Trade Organisation in Geneva meets to hear from the European Union on what it is doing to comply with WTO rulings against its ban on hormone-treated beef from the US and Canada. Both countries have threatened trade sanctions if the EU does not lift the ban by May 13. Also on the agenda are two requests for dispute panels, one by the EU against the US on copyright and the other by the US against South Korea on restrictions on beef imports.

Liberal views

The European Liberal Democrat and Reform Group, which holds 42 seats in the European Parliament, stages its annual congress in Berlin. The group would like to cut European Union tax and social welfare systems, and give the European Parliament control over all EU spending (to April 30).

FT Surveys

Indian Banking and Finance; Business Solutions: Knowledge Management.

Holiday

Gambia.

THURSDAY 29

US-Japan summit

Keizo Obuchi, Japan's prime minister, pays a week-long state visit to the US - the first in 12 years by a Japanese premier. At a summit meeting in the White House next Monday, Obuchi and Bill Clinton, the US president, will exchange opinions on a variety of issues, including the world economy, and reaffirm their co-operation in the 21st century.

EU on screen

European Union industry ministers, meeting in Luxembourg, will allow television cameras to transmit part of their discussions to demonstrate that not everything in the EU happens behind closed doors. After pontificating publicly on the environment, sustainable development and competitiveness, they will get down to serious business without the cameras in attendance. They will be seeking agreement on a directive to crack down on late payments.

Holidays

Japan, Sri Lanka.

FRIDAY 30

WTO chief steps down

Today is the last day in office of Renato Ruggiero, director-general of the Geneva-based World Trade Organisation, and the final deadline for choosing his successor. The two candidates, Supachai Panitchpakdi, deputy prime minister of Thailand, and Mike Moore, former New Zealand prime minister, are said to be evenly matched, with both having wide support around the globe from rich and poor nations.

Bright ideas

The annual international inventions exhibition opens in Geneva (to May 9) with more than 625 exhibitors from 44 countries hoping to attract sponsors and sales. The inventions range from high-technology industrial applications to toys and games. World Intellectual



Property Organisation medals will go to the most outstanding woman inventor and the best inventor from a developing country.

FT Surveys

Russia; Asian Financial Markets.

Holidays

Denmark, the Netherlands, Sweden, India, Sri Lanka, Vietnam.

SATURDAY 1

French trade mission

Lionel Jospin, French prime minister, visits Egypt on a mission aimed at boosting trade and investment. Jospin will meet President Hosni Mubarak and hold talks with Kamal Ganzouri, the prime minister.

North Korea deadline

Today is the US Congress funding deadline for the Clinton administration to show it has made substantial progress with North Korea over inspection of possible nuclear activities.

Holidays

Albania, Austria, Belarus, Belgium, Bosnia, Bulgaria, Cyprus, Czech Republic, Estonia, Germany, Hungary, Iceland, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Norway, Poland, Portugal, Russia, Slovakia, Slovenia, Sweden, Tajikistan, Ukraine, Yugoslavia, Argentina, Bolivia, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, Bangladesh, China, Hong Kong, India, Malaysia, Philippines, Singapore, Vietnam, Algeria, Benin, Botswana, Burundi, Cameroon, Central African Republic, Comoros, Congo, Cyprus, Egypt, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Ivory Coast, Kenya, Lebanon, Malawi, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Palestinian Authority, Rwanda, Senegal, South Africa, Syria, Tanzania, Tunisia, Uganda, Zimbabwe.

SUNDAY 2

Panama election

Panamanians elect a new president, one of whose most important tasks will be to manage the US handover of the Panama Canal on December 31. Among the three candidates is Martin Torrijos, the son of General Omar Torrijos, who in 1977 signed the canal treaties with the US that made the handover possible. Legislative elections also take place.

Holidays

Macedonia, Russia, Slovenia, Yugoslavia.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: French consumer price data for March are expected to confirm that annual inflation rose from 0.2 per cent in February. **Tuesday:** The UK trade deficit with non-EU countries is expected to widen in March, in line with its underlying trend. UK manufacturers' confidence is expected to show continued weakness. **Wednesday:** Industrial production in Japan should bounce back from the weak figure last month, although the annual change is likely to remain negative. Durable goods orders in the US are forecast to rise after last month's drop. **Thursday:** The US employment cost index is likely to rise slightly while strong demand should lead to another drop in weekly jobless claims. **Friday:** US gross domestic product in the first quarter is forecast to slow from the very rapid growth at the end of last year. Continued corporate restructuring should push Japanese unemployment slightly higher, and cause household consumption to maintain its downward trend.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	
Mon	Germany	Mar 10 manufacturing survey balance		-12.0	Thu	US	Q1 employment cost index, civilian***	+0.8%	0.7%	
Apr 26	Germany	Q1 capacity utilisation (10)	84.8	85.9	Apr 29	US	Q1 employment cost index, civilian**		3.4%	
	Germany	Apr Brandenburg cost of living*		0.0%		US	Initial claims, April 24	310,000	314,000	
	Germany	Apr Brandenburg cost of living**		0.1%		US	State benefits, April 17		2,251,000	
	Germany	Apr preliminary cost of living*	0.3%	0.1%R		US	Mar new home sales	875,000	881,000	
	Germany	Apr preliminary cost of living**	0.6%	0.4%F		Italy	Apr preliminary consumer price index*	0.2%	0.2%	
	US	Mar existing home sales	\$4.92m	\$5.02m		Italy	Apr preliminary consumer price index**	1.4%	1.3%	
	Japan	Mar supermarket sales**	-2.9%		Fri	US	Q1 gross domestic product advance	+3.5%	6.0%	
	Japan	Mar department store sales**	-2.6%		Apr 30	US	Q1 gross dom. prod. chain price index	+1.0%	0.6%	
	Japan	Mar retail sales**	-2.7%			US	Apr agriculture prices		1.0%	
	France	Mar consumer price index finance*	0.4%	0.3%		Japan	Apr consumer price index** (Tokyo)	0.5%	-0.5%	
	France	Mar consumer price index finance**	0.4%	0.2%		Japan	Mar consumer price index** (nation)	0.4%	-0.1%	
Tue	UK	Feb global visible trade	£2.2bn	£2.8bn		Japan	Mar unemployment rate	4.5%	4.8%	
Apr 27	UK	Mar ex-EU visible trade	£1.8bn	£1.7bn		Japan	Mar job offers/seekers ratio	0.49	0.49	
	UK	Apr CBI monthly trends				Japan	Mar pers. consumer expend. (workers)**	-4.1%		
	UK	Apr CBI quarterly trends				Japan	Mar income (workers)**	0.0%		
	US	Apr consumer confidence	133.0	133.9						
	US	Redbook, April 24		-0.6%						
	Japan	Mar industrial production†	0.2%	-0.6%		UK	Apr nationwide prices*		1.5%	
	Japan	Mar shipments†	-2.3%			UK	Apr nationwide prices*		7.6%	
	US	Mar durable orders	+1.0%	-0.0%		Germany	Mar Ikon consumer climate	105		
Apr 28	US	Mar durable shipments	-0.1%			Germany	Mar import prices*	0.5%	0.1%	
	Japan	Mar construction orders**	-2.3%			Germany	Mar import prices**	-4.5%	-5.6%	
	Japan	Mar housing starts**	-4.9%	-8.4%		Germany	Mar producer price index*	0.2%	-0.1%	
	Japan	Mar construction starts**	-4.3%			Germany	Mar producer price index**	-2.1%	-2.4%	
					*on m on m, **on yr ** on yr ***on qtr ***seasonally adjusted				Statistics courtesy Standard & Poor's Market Intelligence	

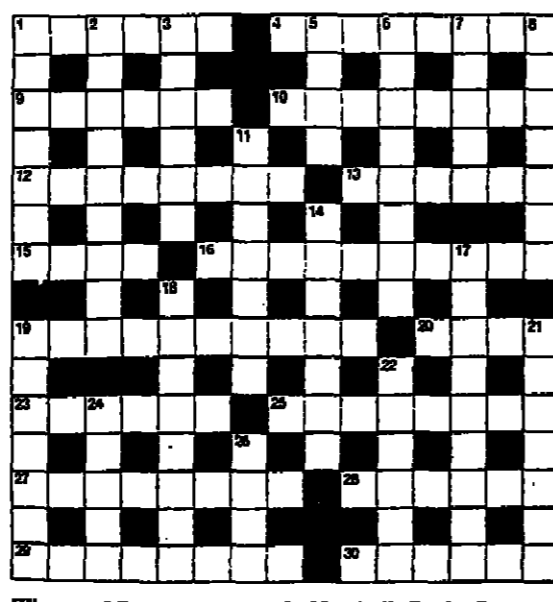
*on mths, **on yr ** on qtr (seasonally adjusted) Statistics, courtesy Standard & Poor's M&ES

ACROSS

- View with esteem (6)
- It's backed in the race to beat one (8)
- It connects similar pressure points (6)
- Disputed profit declared (8)
- Fairytale prince given marching order (8)
- Making jokes with no beginning, purely visual (6)
- Travel free to the Orient (4)
- Kissagram agency - an insincere profession? (3,7)
- American beggar - a kitchen worker? (10)
- Amphibians with feet going in two directions (4)
- How to make do? (6)
- Alenale sergeant in mess (8)
- Window that provides ventilation and illumination (6)
- A diminutive person - or a ten footer (6)
- Result of strikes in the metal industry (8)
- Charm by being a close listener (6)

DOWN

- Coach, working on American times (4,3)
- Idiot, one fellow, to talk incessantly (2,2,3,3)
- Regions about to be given charity (6)
- It precedes the final passion (4)
- An office in which little or no work gets done (8)
- Finally included without exception (2,3)
- Provide some backing with one's name (7)
- Takes turns off and relaxes (7)
- Slender Parsec body (7)
- Minor French island awaiting development? (9)
- Creating trouble in the kitchen (8)
- Peaceful waters? (7)
- Retired train-bearer? (7)
- A ragged child may be an old city feature (6)
- Heavenly food for many a girl (5)
- You used to be grand (4)



Winner of Puzzle No.9,938: L. Marshall, Poole, Dorset

MONDAY PRIZE CROSSWORD

No.9,971 Set by DANTE

A prize of a Tombow Lucca fountain pen and rollerball set, worth £25, will be awarded for the first correct solution opened. Solutions by Thursday May 6, marked Monday Crossword 9,971 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 10. Please allow 28 days for delivery of prizes.

Name: _____
Address: _____

Solution 9,959

ACROSS
1. A. T. O. U. T. I. N. G.
2. E. X. C. E. L. L. A. R. I. A. N.
3. P. L. U. T. O. C. R. A. T. I. O. N.
4. C. O. N. T. R. A. D. I. C. T. I. O. N.
5. E. L. I. M. I. N. A. T. I. O. N.
6. E. A. T. I. N. G.
7. C. O. N. T. R. A. D. I. C. T. I. O. N.
8. A. T. O. M. I. C.
9. A. T. O. M. I. C.
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15. A. T. O. M. I. C.

TOMBOY
FOR BUSINESS GIFTS
TEL: (01732) 771771

Prices for electricity determined for the purposes of the electricity pricing and settlement arrangements in England and Wales

Period for which electricity is to be used	Period for which electricity is to be used	Period for which electricity is to be used	Period for which electricity is to be used	Period for which electricity is to be used	Period for which electricity is to be used
0000-0100	0100-0200	0200-0300	0300-0400	0400-0500	0500-0600
0600-0700	0700-0800	0800-0900	0900-1000	1000-1100	1100-1200
1200-1300	1300-1400	1400-1500	1500-1600	1600-1700	1700-1800
1800-1900	1900-2000	2000-2100	2100-2200	2200-2300	2300-2400

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0600-0700	0700-0800	0800-0900	0900-1000	1000-1100	1100-1200
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0600-0700	0700-0800	0800-0900	0900-1000	1000-1100	1100-1200
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JOTTER PAD